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Date: 2nd September 2015

Dear Sir/Madam,

A meeting of the **Audit Committee** will be held in the **Sirhowy Room, Penallta House, Tredomen, Ystrad Mynach** on **Wednesday, 9th September, 2015** at **10.00 am** to consider the matters contained in the following agenda.

Yours faithfully,

A handwritten signature in blue ink that reads 'Chris Burns'.

Chris Burns
INTERIM CHIEF EXECUTIVE

AGENDA

	Pages
1 To receive apologies for absence.	
2 Declarations of Interest. Councillors and Officers are reminded of their personal responsibility to declare any personal responsibility to declare any personal and/or prejudicial interest(s) in respect of any item of business on this agenda in accordance with the Local Government Act 2000, the Council's Constitution and the Code of Conduct for both Councillors and Officers.	
To approve and sign the following minutes: -	
3 Audit Committee held on 10th June 2015 (Minute nos. 1 - 14).	1 - 10
To receive and consider the following reports: -	

A greener place Man gwyrddach



4	The Audit of Financial Statements Report - To Follow.	
5	Regulation of Investigatory Powers Act 2000.	11 - 14
6	Update on the Numbers of Complaints Received Under The Council's Corporate Complaints Policy.	15 - 22
7	WAO Report - The Financial Resilience of Councils in Wales.	23 - 84
8	WAO Report - Financial Position Assessment, Caerphilly County Borough Council.	85 - 102
9	Internal Audit Services: Annual Outturn Report 2014/2015.	103 - 112
10	Audit Committee Forward Work Programme.	113 - 116

To receive and note the following information items:-

11	Audit of Caerphilly County Borough Council's 2015-16 Improvement Plan - Certificate of Compliance.	117 - 118
12	Officers Declarations of Gifts and Hospitality.	119 - 122
13	Annual Review of Complaints Received Under The Council's Corporate Complaints Policy 1st April 2014 to 31st March 2015.	123 - 128

**If a member of the Audit Committee wishes for any of the above information reports to be brought forward for discussion at the meeting please contact Charlotte Evans, 01443 864210, by 10.00 a.m. on Tuesday 8th September 2015.*

Circulation:

Councillors L. Ackerman, Mrs E.M. Aldworth, Mrs K.R. Baker, D.G. Carter, W. David, N. Dix, D. Havard, C. Hawker, Ms J.G. Jones, Mrs G.D. Oliver, J.A. Pritchard and D. Rees (Chair)

Lay Member – Mr N.D. Yates (Vice Chair)

Auditors - Ms S.J. Byrne (PriceWaterhouseCoopers LLP), Mr I. Davies (PriceWaterhouseCoopers LLP), Mrs L. Pamment (PriceWaterhouseCoopers LLP), Ms J. Joyce (Wales Audit Office) and Ms N. Jenkins (Wales Audit Office)

And Appropriate Officers.



AUDIT COMMITTEE

MINUTES OF THE MEETING HELD AT PENALLTA HOUSE, TREDOMEN, YSTRAD MYNACH ON WEDNESDAY 10TH JUNE 2015 AT 10.00 AM

PRESENT:

Councillor D. Rees - Chair
Mr N. Yates - Vice Chair

Councillors:

Ms. L. Ackerman, Mrs K. Baker, W. David, N. Dix, C. Hawker, N. George, S. Morgan and Mrs G.D. Oliver

Together with:

I. Davies (PriceWaterhouseCoopers LLP) and N. Jenkins (Wales Audit Office)

N. Scammel (Acting Director of Corporate Services and S151 Officer), D. Street (Director Social Services), G. Williams (Interim Head of Legal Services and Monitoring Officer), R. Roberts (Performance Manager), C. Jones (Head of Performance and Property), K. Williams (Private Sector Housing Manager), C. Singler (Allocations Officer) and E. Sullivan (Democratic Services Officer)

1. TO APPOINT A CHAIR AND VICE-CHAIR FOR THE ENSUING YEAR

It was moved and seconded that Councillor D. Rees be appointed as Chair of the Audit Committee for the ensuing year and by a show of hands this was unanimously agreed.

RESOLVED that Councillor D. Rees be appointed Chair of the Audit Committee for the ensuing year.

It was moved and seconded that Mr N. Yates be appointed as Vice Chair of the Audit Committee for the ensuing year and by a show of hands this was unanimously agreed.

RESOLVED that Mr N. Yates be appointed as Vice Chair of the Audit Committee for the ensuing year.

2. CHAIRMAN'S ANNOUNCEMENT

The Chair on behalf of the Audit Committee wished Councillor Judith Pritchard a speedy recovery following her recently hip replacement surgery. The Committee requested that their best wishes be passed on to Councillor Pritchard.

3. APOLOGIES

Apologies for absence were received from Councillors Mrs E.M. Aldworth, D. Carter and J.A. Pritchard.

4. DECLARATIONS OF INTEREST

Councillor Ms. L. Ackerman declared a personal interest in Agenda Item No. 11, Business Continuity in Social Services, details are minuted with the respective item.

5. MINUTES – 11TH MARCH 2015

RESOLVED that the minutes of the meeting of the Audit Committee held on 11th March 2015 (minute nos. 1 - 11) be approved as a correct record and signed by the Chair.

REPORTS OF OFFICERS

Consideration was given to the following reports.

6. WALES AUDIT OFFICE – 2015 AUDIT PLAN (DRAFT)

Mr Ian Davies (Price WaterhouseCoopers LLP) presented the financial aspects of the 2015 Audit Plan and Ms Non Jenkins (Wales Audit Office) presented the performance aspects of the Plan.

In terms of the key audit financial risks outlined in the report Mr Davies drew Members attention to pages 10 to 13 and summarised the details contained therein. It was noted that the risks of fraud in revenue and expenditure recognised within the plan were not driven by any specific concerns but were standard to any organisation. Reference was made to 'Complex Supplier Arrangements' and the proposed audit response to this risk, ensuring that the accounting records for each arrangement were correct. In terms of audit risk and 'Property Plan and Equipment' (PPE), consideration would be given to the appropriateness and sufficiency of the Councils' PPE valuation and their accuracy tested. 'Management Estimates' would also be an audit priority to ensure that the judgements made were reasonable and in accordance with accounting and audit arrangements.

Ms. Jenkins referred Members to the summary of the proposed 2015-16 Performance Audit Programme. Focus would continue on assessing the progress made against the recommendation of the Special Inspection; with specific follow-up work on areas of improvement relating to Human Resources and Workforce Planning, Internal Audit, Self-Evaluation and Scrutiny. Specific projects were noted to include a service review of Leisure and Environmental Services, the scope of which would be agreed. Further work would also be done with regard to financial management arrangements following on from the 2014-15 review. This included a focus on reserves position, policy and the use of reserves. Members noted that 3 Local Government Studies across all 22 authorities would also be undertaken in 2015-16. Study 1 would focus on the strategic approach of Councils to income generation and charging for services. Study 2 would focus on Council funding of third-sector services and Study 3 would look at the effectiveness of local community safety partnerships. Members were referred to page 20 of the pack which outlined the proposed audit fees for the programme and page 21 which provided the contact details for the audit team.

The Chair thanked Mr Davies and Ms Jenkins for their report and Members questions were welcomed.

Clarification was sought in relation to Study 1 on page 19 of the agenda pack with regard to its starting point, although this information was detailed for Study 2 and 3, it was not present in the Study 1 outline. Ms Jenkins confirmed that this was currently being scoped and further information would be coming forward as part of the project plan.

A Member sought further information with regard to any checks and balances that this authority had to provide assurance that the audit analysis being used was correct. Mr Davies advised that in terms of the PPE and risk evaluations, a firm of Valuer's would be used to ensure that valuations were of a standard and the assumptions were valid. Existing testing criteria would be used to verify asset valuations and visits made to view new assets. Depreciation policies and applications would also be looked at to ensure they were properly stated within the accounts.

The Audit Committee noted and acknowledged the reduction in the proposed audit fees.

The Audit Committee have fully considered its content noted the Caerphilly County Borough Council 2015 Audit Plan.

7. REGULATOR PROPOSALS FOR IMPROVEMENT PROGRESS UPDATE

Ms R. Roberts, Performance Manager introduced the report which updated Members on progress made against the proposals made by all regulators since the last Audit Committee update in December 2014.

It was noted that since the last report a number of proposals had been addressed and no additions to the proposal register had been made. The Officer confirmed that of the current 31 proposals, 9 were being presented to the Audit Committee to consider closing, leaving 22 outstanding as of May 2014. Members were advised that 17 of the remaining 22 proposals had been outstanding for more than a year, with 3 outstanding for more than 2 years. However these proposals were more complex in nature with many associated actions and partnership based solutions not easily resolved within a year. The Committee was assured that progress was being made and specific review updates were provided.

In terms of Asset Management there were 6 proposals outstanding and these remained static due to the lack of clarity over the levels of future Welsh Government funding which made the development of comprehensive Asset Management Strategy impractical at this time. Assurances were given that individual strategies were in place but bringing them together into a single coherent strategy was difficult under current circumstances.

In conclusion Ms Roberts confirmed that good progress had been made overall.

The Chair thanked the Officer for her report and Members questions were welcomed.

Clarification was sought with regard to future Welsh Government funding and asset management in view of the decisions already taken with regard to building closures. The Member also requested that further information on partially completed or static proposal be incorporated on to the Action Plan to give a more rounded view on the reasons for the lack of progress.

Mr C. Jones, Head of Performance and Property responded to the query and updated the Committee on the dilemma facing the Asset Management Strategy. The Officer confirmed that in order to get a view on asset management going forward, the service requirements for that asset had to be gauged. At this point in time, Heads of Service were unable to identify

what properties they will need for service provision, because without confirmation of the level of funding they will receive, they cannot profile future service requirements. With regard to asset rationalisation and the closure of Pontllanfraith House, Mr Jones confirmed that there was enough corporate accommodation available to make the building surplus to requirements. Members were assured that the planning process had been taken as far as possible without knowing the exact requirements of future service provision.

Mrs Scammell acknowledged that asset management had been built into savings proposals however specific planning progression was dependent on a clear service profile and this could not be identified at the present time. For example in relation to Library Services, the current Head of Service could not advise on the number of buildings needed to provide the service until he knows how much funding he has to deliver that service. At present he does not know if there will have enough funding to keep all libraries open or if there will be a need to close 2, 3 or more libraries and as a consequence the asset rationalisation programme cannot be progressed, this same scenario would also apply to Leisure Centre's etc. Members noted that once the final settlement was received in October 2015 it would drive the asset portfolio forward. Members were assured that this did not mean that Officers did not have a good handle on the Authority's position and once the extent of the savings requirement was known, informed decisions could be taken on what assets will be needed, what can be let go and what will need to be protected.

Members agreed that under these circumstances this action should continue to be on-going in terms of the register.

Clarification was sought as to when the asset proposals would be brought forward for consideration and Officers confirmed that following the settlement outcome in October many of the proposals would come out of 'on hold' and the strategy geared-up to move forward, it was just difficult to take forward at the present time.

Reference was made to the Customer Services Review action and its associated targets which appeared to be 2 years out of date. Clarification was sought as to whether this was due to unrealistic target setting or external factors.

Mrs Scammell confirmed this had undergone a fundamental change in light of the Medium Term Financial Plan and would be subject of a future report to the Policy and Resources Scrutiny Committee; she acknowledged that the targets would need to be reviewed.

The Member expressed concern that this lengthy delay must have an impact customers and this timeframe was unacceptable in terms of the service. Officers acknowledged the concerns raised and suggested that they be taken forward to the Policy and Resources Scrutiny Committee. The fundamental nature of the changes that have taken place over the last two years were noted as was the impact on the Customer Services Strategy particularly when taken in tandem with Council's agreement that where possible services should be reduced rather than lost.

Ms Roberts acknowledged the points raised and agreed that while the action plan needed to keep the original action date, there should also provision within the plan to show how the action had been escalated and any new dates or changes as a consequence. Members agreed that the inclusion of a reason or some allowance for tracking change would be beneficial.

Members also agreed that status comments of 'partially completed' and 'on hold' were not descriptive enough and more information should be included on the nature of the progress being made. The Officer confirmed that this would be taken on board for the next update.

Having noted the report and monitored the progress made against the action plan it was moved and seconded that the recommendation contained in the Officers report be agreed and by a show of hands this was unanimously agreed.

RESOLVED that the proposals noted as closed within the Action Plan as attached in Appendix 1 of the Officers report be accepted.

8. CORPORATE RISK MONITORING

Mr C. Jones, Head of Performance and Property presented the report which provided an update on the Corporate Risk Register, to enable the Audit Committee to satisfy itself that the Council's risk management processes are regularly and robustly monitored and scrutinised.

Reference was made to the programme of Risk Management training for the Audit Committee which commenced on 30th October 2013. This training would be an ongoing programme of continuous development and would also be supplemented with training for Cabinet Members.

The Officer referred Members to Appendix 1 of the report which contained the Corporate Risk Register as at April 2015 and reminded the Committee that this was a 'living document' and as such would be subject to change, as new risks were introduced, existing risks are closed or the risk's RAG assessment is updated. Members were requested to accept the Corporate Risk Register update as part of the Audit Committee's commitment to regularly review its content.

The Chair thanked the Officer for this update and Members questions were welcomed.

Clarification was sought with regard to Waste Collection/Dry Recyclables noted as a high risk as to whether this could have been added to the register earlier. Mr Jones confirm that this had been on the register for 3 months with no change in status. He did not have the information to hand as to when it was first added but could update Members following the meeting.

Mrs Scammell confirmed that the Council became aware that there could be an issue at the end of January 2015, when after initiating the procurement process for the new contract, no tenders were returned. The Officer advised that no one had anticipated this and that additionally no interest would be expressed by the existing provider to continue to take it forward. Discussions with the existing contractor commenced in February 2015 and a Members Seminar was scheduled in March 2015 to fully apprise Councillors on the issue. Members were advised that the Council was now in a position to award the contract and confirmed that the notice of award would be published and followed-up by a confirmation email from the Chief Executive.

Further clarification was sought as to whether any investigations had been made as to why there were no expressions of interest. Mrs Scammell advised that she could not go into any detail due to confidentiality restrictions, but it was normal practice to go back and establish the reasons for the lack of response and these had been fully explored at the Member Seminar.

Reassurances were sought that during the period without a formal contract no additional waste was sent to landfill. Mrs Scammell advised that it was her understanding that short term arrangements had been put in place with a local contractor to take the clean dry recyclables with the contaminated portion of the collection sent to Project Gwyrdd but the exact arrangements would need to be confirmed by the relevant Head of Service. Members noted that it was not possible for 100% of the waste collected to be recycled, due to the proportion of contaminated items in every collection. Again although detail could not be provided at this meeting due to company confidentiality restrictions, Mrs Scammell confirmed that she could email the Committee with further information on dry recyclables if required.

Reference was made to risk reference CMT29 – WHQS programme and the rate of progress made in relation to the deadline for completion. It was noted that reports had been requested by the Caerphilly Homes Task Group and updates provided to the Policy and Resources Scrutiny Committee who were happy with the progress made and the reassurances given by lead Officers.

Clarification was sought in relation to risk reference CM18 and the Secondary School Surplus Places and the role the Audit Committee should take in monitoring the progress made. Mr Jones welcomed the question and confirmed that this issue would be taken forward by the Education for Life Scrutiny Committee, the Audit Committee's role would be to ensure that this is being picked up at Scrutiny.

The extent of the role the Audit Committee can take in relation to the issues highlighted on the Risk Register was discussed. Members agreed that they would like to see more information on the control measures being initiated against the identified risks so that they can be satisfied that the matter is being addressed. It was noted that the inclusion of this information would also highlight to CMT that the Audit Committee has considered the register. In relation to Surplus Places, it was noted that the 20th Century Schools project for the Islwyn West School (Phase 1) is moving forward however progression on to the Mid Rhymney Valley (Phase 2) project would be dependent on funding going forward.

Having fully considered the Corporate Risk Register update it was moved and seconded that it be accepted with the caveat that more information be included on the register with regard to progression through Scrutiny and by a show of hands this was unanimously agreed.

RESOLVED that the Corporate Risk Register update be accepted.

9. WALES AUDIT OFFICE REPORT: REVIEW OF MANAGEMENT ARRANGEMENTS FOLLOWING A HOMICIDE REPORT FROM HEALTHCARE INSPECTORATE WALES

Mr D. Street, Director of Social Services presented the report which provided an update on the progress made in achieving the objectives outlined in the Wales Audit Action Plan following an enquiry into the circumstances surrounding a homicide in the County Borough in March 2009 by an individual with mental health issues.

The formal review made a total of 23 recommendations covering all agencies and as a result a Working Group was established comprising of representatives from the Aneurin Bevan Health Board, Caerphilly Housing, Social Services and Voluntary Sector partners.

Having considered the recommendations the Group determined that an enhanced overarching protocol between Housing and Mental Health Services and a Personal Information Protocol was required. The protocols would be introduced simultaneously with the Personal Information Sharing Protocol ensuring that information is able to be shared between partners and the Joint Protocol providing the necessary framework to ensure that systems were in place to support staff in all agencies. Members were referred to the Protocol as attached in Appendix 1 of the report and were advised that it had already undergone an internal consultation with stakeholders and was now undergoing a wider external consultation exercise, which would be concluded later this month.

The Protocol will be audited by the Aneurin Bevan Health Board and its performance shared with Welsh Government. Mr Street confirmed that it was very difficult to broker mental health housing places as there is insufficient accommodation available and new build applications were often met with a great deal of opposition from local residents due stigma still associated with Mental Health issues. Members were assured that there was already a protocol in place however the document attached was enhanced and would be audited. It was noted that following the consultation process the Protocols would be presented to the Health Social Care

and Well Being Scrutiny Committee.

The Chair thanked the Director of Social Services for his report and full discussion ensued.

Clarification was sought with regard to the safeguarding of residents in relation to the placement of individuals. Mr Street confirmed that before making an individual placement, work would be done between all the partner agencies to ensure that the right kind of accommodation is provided and this would include giving very close consideration to the area of the placement, the level of support provided in that accommodation and whether the individuals needs could be met there. He acknowledged the very natural fear and resistance to mental health accommodation however it should be noted that the vast majority of placements provided low level, short term support for individuals who would not present any type of risk to the community but he accepted that there could be no guarantees.

Private mental health provision was discussed and Members queried if the private sector would be incorporated into or bound by the Protocol. Mr Street explained that individuals using the private sector may not be known to Social Services but where they are known the protocols are just as stringent. However it would be difficult to reach those individual who access private provision by choice and are not known to Social Services. Clarification was then sought with regard to rented accommodation and Members were advised that where companies are used by the Local Authority there is no differentiation and they would be held to the same standard. Reference was made to page 91 of the document and the Committee acknowledged that individuals also had the right to refuse and withdraw their consent with regard to the protocol.

Having fully considered its content, The Audit Committee noted the report and the Caerphilly Mental Health and Housing Joint Protocol 2015-18 and noted the progress made in response to the recommendations of the Wales Audit Office Report.

10. ANNUAL GOVERNANCE STATEMENT 2014/15

Mrs Nicole Scammell, Acting Director of Corporate Services introduced the report which presented the Annual Governance Statement (AGS) for 2014/15 to the Audit Committee for review.

It was noted that the majority of the changes to the 2013/14 plan related to the good progress made in respect of its Improving Governance Programme. Three areas of improvement have been reviewed by the Corporate Governance Programme Board namely; Interim Management Arrangements, Freedom of Information Requests and Business Continuity.

Due to the significant improvements made in relation to Business Continuity the report recommended that this issue be taken off as an area of improvement but that it still be monitored. With regard to Interim Management Arrangements, these arrangements had been presented previously and a subsequent report approved by Council; the report therefore also recommends that this be taken off the AGS as an area of improvement.

In relation to Freedom of Information requests response times it was noted that significant progress at also be made. With times improving from 72% in 2013 to 76% in 2014 and the first quarter of Jan 2015-March 2015 response times had been increased to 83%. With this in mind, the report recommended that this is also taken off the AGS as an area for improvement but that it continue to be closely managed going forward.

Members were advised that one area for improvement had been identified during the 2014/15 review process which related to the effectiveness of current Scrutiny arrangements. It was noted that a review of Scrutiny was currently underway and would be completed by October 2015 when a report would be presented to Council for consideration.

The Chair thanked Mrs Scammel for her report and full discussion ensued.

Having considered the Annual Governance Statement for 2014/15 and reviewed the changes contained therein it was moved and seconded it be accepted by the Audit Committee and by a show of hands this was unanimously agreed.

RESOLVED that the Annual Governance Statement for 2014/15 be accepted.

11. COMPLAINT MADE TO THE PUBLIC SERVICES OMBUDSMAN FOR WALES – CASE NUMBER 201301753

The report was introduced by Mrs Gail Williams, Interim Head of Legal Services and Monitoring Officer, Mr. K. Williams, Private Sector Housing Manager and Mr C. Singler Allocations Officer. Having previously been presented to the Standards Committee and Policy and Resources Scrutiny Committee the report detailed the progress made to date in respect of a complaint made to the Public Services Ombudsman for Wales and the recommendations contained within the Ombudsman's report.

It was noted that the Ombudsman's investigation had identified shortcomings in the Council's administration of the complainant's housing application. A number of recommendations had been made and Officers had previously advised the Policy and Resources Scrutiny Committee of the progress in relation to those recommendations. A further update was given and Members were asked to note that there had been some slippage with regard to the Common Housing Register but the Ombudsman had been advised of the delay in its implementation.

Members were advised that the key criticism had been the failure of staff to recognise the threat of homelessness earlier in the application process. Officers confirmed that training had been undertaken with all staff and guidance issued in this regard. Housing staff had also been restructured in order to accommodate the new demands placed on the department. The importance of the Corporate Records Management Policy, specifically in reference to good record keeping had been highlighted during team meetings and homelessness had been included in the staff induction process.

The Chair thanked the Officers for the report and full discussion ensued.

Clarification was sought as to whether this case might set a precedent or an expectation for individuals wishing be moved closer to relatives when there has been an illness within the family. Officers confirmed that the current policy gave preference in such circumstances; however this particular case had been very unique, falling over an extended period of time, straddling different computer systems and a mixture of shared and single categories and the additional consideration that the applicant had wanted a specific street.

Mrs Williams acknowledged the concerns raised and advised that no precedent had been set, the issue had been a complex one and the way in which the case had been handled had resulted in changes to the process. Also measures had been put in place to minimise the rise of a similar complaint in the future.

Officers confirmed that they are currently dealing with some 5200 applications for council housing and that this figure will rise to around 7500 applications when the Common Housing Register is introduced and as Members were aware there are not enough of certain types of housing to meet the demand.

Having fully considered its content the Audit Committee noted the report and the progress made against the Ombudsman recommendations.

12. BUSINESS CONTINUITY IN SOCIAL SERVICES

Councillor L. Ackerman declared a personal interest in that her mother receives a package of care from Social Services.

Mr D. Street, Director of Social Services presented the report which detailed the business continuity planning in place for Social Services. Members were advised that Social Services has a very good track record for continuing to deliver services in periods of disruption which have primarily related to prolonged periods of inclement weather. The specific action plans involved when prioritising staff in these circumstances was summarised and the role that family and friends played during these periods was noted.

Members were advised that when it was necessary to close Day Centre's arrangements would be made to ensure that clients received a meal via alternative means and staff relocated to other service areas. 4 x 4 vehicles would be introduced where and when necessary and staff groups prioritised within their locality to ensure continued service provision. Flu jabs are made available to staff and walking staff are provided with appropriate non-slip/ice grip footwear accessories. It was noted that the biggest difficulties would arise if the communications network went down, however carers are well aware of their normal calls and could continue to attend but communication would be difficult.

The Chair thanked the Officer for his report and full discussion ensued.

Clarification was sought with regard to the Independent Sector and whether they had such robust continuity plans in place and who would be liable should they fail to provide a service. Mr Street confirmed that all private providers contracted by the Council were required to have business continuity plans in place and he was able to confirm that they have been many quite powerful examples where they have gone above and beyond to ensure services have been delivered to their most vulnerable clients. In terms of liability as the commissioner of the service this would in all probability sit with the Council.

Having fully considered its content the Audit Committee noted the report.

13. FORWARD WORK PROGRAMME

The Forward Work Programme up to March 2016 was present for Member consideration. Members requested that the 'Responsible Officer' column be updated to reflect staff changes.

Having fully considered its content the Audit Committee noted the Forward Work Programme up to March 2016.

14. INFORMATION ITEMS

The Committee received and noted the following information items:-

- (1) Internal Audit Services Action Plan Update.
- (2) Caerphilly County Borough Council Partnerships and Collaborations Update.
- (3) Officer's Declarations of Gifts and Hospitality.
- (4) Register of Employees' Interests Forms.
- (5) Fraud Position Statement for 2014/15.
- (6) Minutes of the Corporate Governance Review Panel – 16th February 2015.
- (7) Minutes of the Corporate Governance Review Panel – 23rd April 2015.

The meeting closed at 12.06 pm.

Approved as a correct record and subject to any amendments or corrections agreed and recorded in the minutes of the meeting held on 9th September 2015, they were signed by the Chair.

CHAIR



AUDIT – 9TH SEPTEMBER 2015

SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT 2000

REPORT BY: INTERIM MONITORING OFFICER

1. PURPOSE OF REPORT

- 1.1 To advise Members of the numbers of covert surveillance operations undertaken by the Council in accordance with the provisions of the Regulation of Investigatory Powers Act 2000.

2. LINKS TO STRATEGY

- 2.1 The Council is under an obligation to comply with legislative requirements - this report helps to achieve that.

3. THE REPORT

- 3.1 The Regulation of Investigatory Powers Act 2000 (RIPA) sets out strict controls for public authorities wishing to carry out covert surveillance of individual members of the public as part of their exercise of their statutory functions. In addition to the Act, advice and guidance is found within the Codes of Practice issued by the Home Office.
- 3.2 The Authority has a corporate policy, which provides guidance on how surveillance should be used by the relevant officers.
- 3.3 Public Authorities undertaking covert surveillance of individual members of the public are subject to inspection by an Assistant Surveillance Commissioner or by a Surveillance Inspector (or in some cases both).
- 3.4 The Appendix to the Report includes details of the RIPA operations undertaken by the Authority for the period April to August inclusive. There has been two RIPA operation undertaken in this period.

4. EQUALITIES IMPLICATIONS

- 4.1 None, the report is for information only.

5. FINANCIAL IMPLICATIONS

- 5.1 None.

6. PERSONNEL IMPLICATIONS

6.1 None.

7. CONSULTATIONS

7.1 None. The report is for information only.

8. RECOMMENDATIONS

8.1 None. Members note the information provided.

9. REASONS FOR THE RECOMMENDATIONS

9.1 To ensure compliance with statutory requirements.

10. STATUTORY POWERS

10.1 Regulation of Investigatory Powers Act 2000.

Author: Gail Williams, Interim Monitoring Officer (willige@caerphilly.gov.uk)

Consultees: Nicole Scammell, Acting Director of Corporate Finance

Appendices:

Appendix 1 Details of RIPA Operations

RIPA Investigations

Trading Standards

2. Investigation into sale of alcohol to minors.

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AUDIT COMMITTEE – 9TH SEPTEMBER 2015

SUBJECT: UPDATE ON THE NUMBERS OF COMPLAINTS RECEIVED UNDER THE COUNCIL'S CORPORATE COMPLAINTS POLICY

REPORT BY: INTERIM HEAD OF LEGAL SERVICES AND MONITORING OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide Members with an update on the number of complaints received under the Corporate Complaints Policy for the period mid January 2015 to 31st July 2015.
- 1.2 To advise Members whether any trends have been identified and if so the action to be taken.
- 1.3 To update Members on the use of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

2. SUMMARY

- 2.1 To provide members with an overview of the corporate complaints, which are one of the ways in which, the Council gains information on the level of satisfaction or dissatisfaction of the services provided corporately by the Council. The result of the monitoring enables each department to focus on areas of concern, to improve services and to monitor performance and ensure that any trends in issues raised are identified and dealt with so as to be avoided in the future.
- 2.2 To ensure that corporate complaints are dealt with consistently and fairly across all service areas.
- 2.3 To update members on the implementation of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

3. LINKS TO STRATEGY

- 3.1 Monitoring of the Council's corporate complaints and successful resolution of those complaints supports the provision of higher quality and more effective services to the public across all service areas.

4. THE REPORT

- 4.1 Members will be aware from previous reports presented to Audit Committee that, on 1st April 2013, the Council implemented a new Corporate Complaints Policy (referred to as the Policy in this report) in order to reflect the model policy introduced by the Welsh Government.

- 4.2 The Policy has introduced a two-stage complaints process to be followed within the Council. Stage 1 complaints are intended to be dealt with within 10 working days and Stage 2 within 20 working days. If a complainant remains dissatisfied with the outcome of a Stage 2 response, he/she will have the opportunity to refer the matter to the Public Services Ombudsman for Wales.
- 4.3 Members were advised that a Learning from Complaints Group (referred to throughout this report as “the Group”) had been established, which is chaired by the Interim Monitoring Officer, and includes Complaints Officers from across the Council, the Council’s Senior Policy Officer (Equalities and Welsh Language) and a representative from the Council’s Performance Management Unit.
- 4.4 The Group meet on a quarterly basis in order to consider complaints statistics, identify trends and where appropriate review policies and procedures including the introduction of associated policies and procedures arising from the implementation of the complaints policy.
- 4.5 The result of the monitoring enables each department to focus on main areas of concern, to improve services and to monitor performance and ensure that any trends in issues raised are identified and dealt with so as to be avoided in the future. The Group’s findings are then reported to the Audit Committee on a six monthly basis.
- 4.6 This report provides an update on the corporate complaints received for the period mid January 2015 to 31st July 2015.

4.7 **Review of Corporate Complaints**

- 4.7.1 The data referred to below represents the number of complaints received from mid January 2015 to 31st July 2015 for each Directorate referred to, together with an overview of the response timescales.
- 4.7.2 In addition, the complaints data captured includes the outcome of each complaint; namely whether a complaint has been upheld, not upheld or partially upheld. An overview of the outcomes in respect of Stage 1 complaints are set out in paragraph 4.7.4 (c) and an overview of the outcomes in respect of Stage 2 Complaints are set out in paragraph 4.7.4 (g) below.
- 4.7.3 Members are reminded that the number of complaints listed for Social Services and Education are significantly lower than those of other Directorates such as Housing and the Environment. The reason for the difference is that this report only includes details of corporate complaints received for those service areas. Social Services operate a separate complaints policy for service users. Within Education the respective schools deal with their own complaints. Members have received separate reports on both issues in the past.
- 4.7.4 The total number of corporate complaints received across the Authority during this period is 129 comprising the following: -

	% of total number of complaints received July 2014 - January 2015		% of total number of complaints received January 2015 - July 2015
15 Corporate	16.5	16 Corporate	12.4
3 Education	3.3	1 Education	0.8
28 Environment	30.8	47 Environment	36.4
43 Housing	47.2	60 Housing	46.5
1 Social Services	1.1	4 Social Services	3.1
1 Other (cross Directorate)	1.1	1 Other (cross Directorate)	0.8

4.7.4 A breakdown of the types of complaints are summarised as follows: -

Stage 1 Corporate Complaints

- (a)
- | Title | Actual |
|---|--------|
| Number of Stage 1 complaints received in Corporate Services | 16 |
| Number of Stage 1 complaints received in Education | 1 |
| Number of Stage 1 complaints received in Environment | 40 |
| Number of Stage 1 complaints received in Housing | 44 |
| Number of Stage 1 complaints received in Social Services | 2 |
| Number of Stage 1 complaints received Other (cross directorate) | 0 |
- (b) The total number of complaints received at Stage 1 were 103, of those 88 were responded to within timescale and 10 outside the timescale (9.7%), 5 are ongoing.
- (c) Of the 103 Stage 1 complaints, responded to, 32 have been upheld, 49 were not upheld and 17 have been partially upheld and 5 are ongoing. The breakdown of outcomes for each Directorate is listed below.

Outcomes of Stage 1 complaints

	Upheld	Not Upheld	Partially Upheld	Ongoing
Corporate Services	5	5	4	2
Education	0	1	0	0
Environment	18	14	8	0
Housing	9	27	5	3
Social Services	0	2	0	0
Other (cross directorate)	0	0	0	0

Stage 2 Corporate Complaints

- (d)
- | Title | Actual |
|---|--------|
| Number of Stage 2 complaints received in Corporate Services | 3 |
| Number of Stage 2 complaints received in Education | 1 |
| Number of Stage 2 complaints received in Environment | 13 |
| Number of Stage 2 complaints received in Housing | 28 |
| Number of Stage 2 complaints received in Social Services | 2 |
| Number of Stage 2 complaints received Other (cross directorate) | 1 |
- (e) The total number of complaints received at Stage 2 were 48 of those 38 were responded to within timescale and 2 outside the timescale (4.2%) and 8 are ongoing.
- (f) Of the Stage 2 complaints, 26 were commenced at Stage 2 and 22 were escalated from Stage 1 to Stage 2; 3 within Corporate Services, 12 within Housing, 6 within Environment, and 1 within Education.
- (g) Of the 48 Stage 2 complaints responded to, 17 have been upheld, 18 were not upheld, 5 were partially upheld and 8 are ongoing. The breakdown of outcomes for each Directorate is listed below.

Outcomes of Stage 2 Complaints

	Upheld	Not Upheld	Partially Upheld	Ongoing
Corporate Services	2	0	0	1
Education	0	1	0	0
Environment	2	6	3	2
Housing	13	8	2	5

Social Services	0	2	0	0
Other (cross directorate)	0	1	0	0

- 4.7.5 Members are asked to note that the number of complaints upheld for Housing at Stage 2 include a significant number of complaints relating to recharges. These complaints have been analysed within the Housing division and as a result, a new recharge policy was introduced and implemented from April 2015. The new policy incorporates a revised appeals procedure and it is anticipated this procedure will provide a more streamlined and uniformed approach to the consideration of recharge appeals, with the inclusion of a Review Panel as the final part of the process. The panel will include a tenant and member representative and will remove recharges from the complaints process. A case study example of a recharge complaint is set out at Appendix 1.
- 4.7.6 Equalities and Welsh Language complaints dealt with under the Corporate Complaints Policy are monitored and reported to members of this committee as part of the overall figures but detailed information also forms part of the statutory annual reporting framework to the Equality and Human Rights Commission and the Welsh Language Commissioner's Office. The Council's Policy and Resources Committee and Cabinet receives an annual report regarding progress against the targets in the Council's Strategic Equality Plan and Welsh Language Scheme, prior to submission to the relevant commission.
- 4.7.7 Members will note that the number of complaints not responded to within the timescales has slightly increased when compared with the data presented in the previous report presented in March 2015 (from 9.4% to 9.7% for stage 1 complaints and 3.2% to 4.2% for stage 2 complaints). There has been an overall increase of 0.3% (from 7.6% to 7.9%) of complaints dealt with outside timescale. However there has been an overall increase in the number of complaints. Complaints Officers from all Directorates have however been asked to remind staff of the importance of responding to complaints within the policy timescales. The response times will continue to be monitored and a further update will be provided in the next six monthly report.
- 4.8 Review of Trends and types of complaints**
- 4.8.1 At the recent meeting of the Group, officers considered the data collected during this reporting period for each specific department however no specific trends could be identified.
- 4.8.2 Again the types of complaints received have been wide ranging for example, street lighting, WHQS works, charges and permits at civic amenity sites. Conditions of leisure centres, personalisation of graves, costs of burial plots and damage to headstones, collection of waste, highway works, use of footpaths, planning processes, consultation of the Local Development Plan and publications which have not been produced bilingually. The Group will continue to monitor this data closely at its meetings held quarterly and Members will be kept updated.
- 4.8.3 Whilst no trends have been identified during this reporting period the Group recognises the importance of learning from all complaints handled under the policy with a view to monitoring and improving outcomes for both future complainants and the Authority as a whole. To this extent the last meeting of the Group considered a report from the Ombudsman issued in April 2015, which was also considered by the Standards Committee on 18th June 2015. The report related to a housing complaint, which the Ombudsman upheld and made a number of recommendations. The findings were reviewed by the Group to try and improve processes and learn lessons for the future. Communication and record keeping were identified as areas for each service area to consider.
- 4.8.4 The Annual Review of Complaints report gives details under paragraph 4.7.3 about how the Groups will monitor this data over the next year.

4.9 Ombudsman referrals

- 4.9.1 Since the last six monthly update report, the Ombudsman upheld one complaint. The complaint, which was upheld, is referred to in paragraph 4.8.3 above and was reported to the Standards Committee on the 18th June 2015 with a further report to be presented to the next Standards Committee to update its members on progress on the recommendations.
- 4.9.2 A second Report has also been received and the Ombudsman has decided not to uphold this complaint.
- 4.9.3 Since the last report to Audit Committee 6 further complaints have been referred to the Ombudsman following the issue of the Council's Stage 2 response. The Ombudsman has decided not to investigate any of the 6 complaints.

4.10 Update on the Introduction of a Vexatious Complainants Policy

- 4.10.1 Members will recall that the Policy was presented to and endorsed by Cabinet on 27th November 2013. As a result the Policy has now been introduced and circulated to service areas. It is also available to view on the Council's website.
- 4.10.2 Members are advised that to date there have been no referrals made under this policy although the Group will continue to monitor the use of the policy.
- 4.10.3 The Vexatious Complainants Policy together with the Corporate Complaints policy will be shortly reviewed by the Group with a view to reporting any proposed changes to the Audit Committee for consideration at the next meeting.

5. EQUALITIES IMPLICATIONS

- 5.1 Monitoring of complaints via the Corporate Complaints policy addresses the Council's statutory duties under the Equalities Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Welsh Language Measure (Wales) 2011 in two ways. It addresses specific complaints to the Council around alleged discrimination by service areas and also addresses the monitoring of complaints from people who fall under the categories protected by these statutory duties.
- 5.2 The full details of these issues (that cover wider matters than are recorded as Corporate Complaints in this report) are included in the annual reports provided to the Equalities and Human Rights Commission and the Welsh Language Commissioner's Office. Policy and Resources Scrutiny and Cabinet consider these reports prior to being published by the end of June each year.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications associated with this report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no personnel implications associated with this report.

8. CONSULTATIONS

- 8.1 The views of the consultees have been incorporated into this report.

9. RECOMMENDATIONS

9.1 It is recommended that Members note the contents of the report.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To monitor the complaints process to ensure effective delivery of Council services.

11. STATUTORY POWER

11.1 Local Government Act 1972 – 2003.

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Consultees: Nicole Scammell, Acting Director of Corporate Services
Angharad Price, Interim Deputy Monitoring Officer
Lisa Lane, Solicitor
Jan Carter, Senior Housing Officer
Gemma Hoare, Housing Officer (Customer Services)
David Titley, Customer Services Manager
Kim Davies, Customer Services/Complaints Officer
Karen Williams, Support Officer
Judith Morgans, Customer Services Manager
Ros Roberts, Performance Manager
Andrea Jones, Corporate Complaints Officer
David A Thomas, Policy Officer
Richard Harries, Internal Audit Manager
Leigh Brook, Corporate Finance

Background Papers

Report to Audit Committee 10th December 2014 – Social Services Representations and Complaints Procedure Activity

Report to Standards Committee 18th June 2015 – Complaint made to the Public Services Ombudsman for Wales – Case Number 201400849

Case Study

Mrs C. made a complaint to the Council that she had been recharged by the Housing Department for not allowing access to her property when an electrician had attended for an out of hours call. The Council's tenancy agreement allows that a recharge can be made if there is clear evidence of a tenant not allowing access to the property when repairs are required. There is also a recorded message advising tenants that they may be recharged when they report a repair through the out of hours service. Housing Officers also have a clear procedure for when recharges are to be made.

Before being considered as a Stage 2 complaint recharges follow a 2 stage appeals process. At both stages of the appeals process, carried out by the Area Housing Office, it was felt that the recharge had been made appropriately. Mrs C. asked for this to be reviewed.

The Public Sector Housing Officer therefore considered the complaint and she observed the following information;

Mrs C. claimed she was in the property on the date and time the operative called and that no card was left at the property to indicate she had missed the call. The Council's report showed that an operative had called to Mrs C's property but he had failed to gain access, therefore a charge was raised for an abortive call.

On further investigation it was confirmed that operatives do not leave calling cards if they fail to gain access. Therefore, without this supporting evidence, the case was considered to be a 50/50 situation where the Council's records showed an operative had attended the property but Mrs C. claimed she was in all evening but nobody had called. On this occasion the Chief Housing Officer upheld the complaint at stage 2 of the Complaints Procedure and the recharge was withdrawn.

As a result of this complaint, practices for out of hours calls have been reviewed and brought in line with calls attended to during normal working hours. If an operative fails to gain access the revised procedure requires the out of hours operative to contact the control room who will then attempt to contact the tenant by telephone to advise them the operative is at the property. Details of these calls are then recorded on the call sheet. The Council has therefore improved the service for tenants and reduced costs.

As stated above, the Council has also from April 2015 implemented a revised appeals procedure for housing recharges. The procedure will include the use of an independent Recharge Review Panel comprising Senior Housing Officers, a Councillor and a Tenant.

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AUDIT COMMITTEE – 9TH SEPTEMBER 2015

SUBJECT: WAO REPORT – THE FINANCIAL RESILIENCE OF COUNCILS IN WALES

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

1. PURPOSE OF REPORT

1.1 To present the Audit Committee with a report produced by the Wales Audit Office (WAO) on the financial resilience of Councils in Wales.

2. SUMMARY

2.1 The financial resilience review report attached as Appendix 1 is a composite report reflecting findings from reviews carried out across all of the 22 Local Authorities in Wales. Each Authority also received an individual financial position assessment report and the report for Caerphilly CBC is included separately on the agenda for today's meeting.

2.2 The focus of the financial resilience review was the 2014/15 financial planning period and the delivery of 2013/14 financial plans. The financial performance track-record of Councils in 2011/12 and 2012/13 was also analysed.

2.3 The robustness of management and planning arrangements to support financial resilience at each Council was reviewed focusing on how Councils plan and then deliver their budget commitments. These reviews involved external audit teams undertaking fieldwork of each Council's financial planning arrangements.

2.4 The review also draws comparisons with the experience of English Councils, based on similar analysis conducted in 2013/14 by Grant Thornton. By making these comparisons, the report identifies some key lessons to support Welsh Councils in becoming financially resilient in the future. Councils in England have faced significant financial challenges earlier than Councils in Wales. There is therefore an opportunity for Welsh Councils to learn from and draw upon the experience of Councils in England.

3. LINKS TO STRATEGY

3.1 Strong financial management is a key component in supporting the Council to deliver its strategic plans and priorities.

4. THE REPORT

4.1 The WAO report is attached as Appendix 1 and provides full details of the review undertaken, the findings, conclusions and recommendations.

4.2 The main conclusions arising from the review are the following:-

- Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and Councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.
- Most Councils demonstrate clarity of vision and set coherent corporate objectives but need to ensure their medium-term financial plans and operational plans are sufficiently aligned to deliver their objectives.
- Financial management and controls are sound in most Councils, although many need to improve budget setting and monitoring and ensure there is sufficient capacity and capability in the finance team to meet the challenges ahead.
- Whilst financial governance arrangements are comparatively robust, the quality of performance and cost information being used and the level of scrutiny and challenge in Welsh Councils varies significantly, which can undermine the effectiveness of decision making.
- Councils are under significant stress and financial management arrangements that were once good enough will not remain fit for purpose in the face of increasing financial pressures.
- The experience of English Councils shows that it is possible to deal effectively with significant reductions in funding through redesigned service delivery models supported by sophisticated financial planning.

4.3 The WAO report also contains a number of recommendations which are set out on pages 10 and 11 of the attached document. Members should be aware that these are generic recommendations arising from the review of all Councils in Wales and not all of the recommendations will be relevant to the specific local circumstances in Caerphilly CBC. During the coming months the focus in Caerphilly will be on the following: -

- Continuing to embed the good practice and proposals for improvement outlined in the WAO's financial position assessment for Caerphilly CBC.
- The development of a reserves strategy.
- The development of a corporate wide policy on income generation.
- Continued provision of training opportunities for Elected Members to ensure that they have the necessary knowledge and skills to facilitate effective financial overview and scrutiny.

4.4 Following on from the financial resilience review the WAO will now be undertaking a further piece of work which will follow-up the issues previously highlighted. The follow-up review will also consider whether Authorities have robust approaches in place to manage the budget reductions that they are facing, to secure a stable financial position that enables them to continue to operate in the foreseeable future. The focus of this work will be on the 2015/16 financial planning period and the delivery of 2014/15 budgets.

4.5 As part of the follow-up review WAO auditors will determine a risk rating for each Authority against the aspects of Financial Planning, Financial Control and Financial Governance. Each category will be assigned as low, medium or high risk. The fieldwork will be undertaken during September and October 2015 and individual high-level findings reports for each Authority will be distributed by the end of December 2015. A national report will be published by March 2016.

5. EQUALITIES IMPLICATIONS

- 5.1 This report is for information purposes so the Council's Equalities Impact Assessment (EqLA) process does not need to be applied.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

- 8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

- 9.1 Members of the Audit Committee are asked to note the content of the report.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Members of the Audit Committee are aware of the review work undertaken by the WAO and the resulting findings, conclusions and recommendations.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972 and 2003.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer
Richard Harris, Internal Audit Manager

Appendices:-

Appendix 1 – WAO Report – The Financial Resilience of Councils in Wales (April 2015)

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

The financial resilience of councils in Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



I have prepared and published this report in accordance
with the Public Audit Wales Act 2004.

The Wales Audit Office study team was project managed by Nick Selwyn and Huw Rees and comprised Martin Gibson, Jackie Joyce, Terry Lewis, Deryck Evans and John Dwight as well as colleagues from PwC, KPMG and Grant Thornton UK LLP under the direction of Alan Morris.

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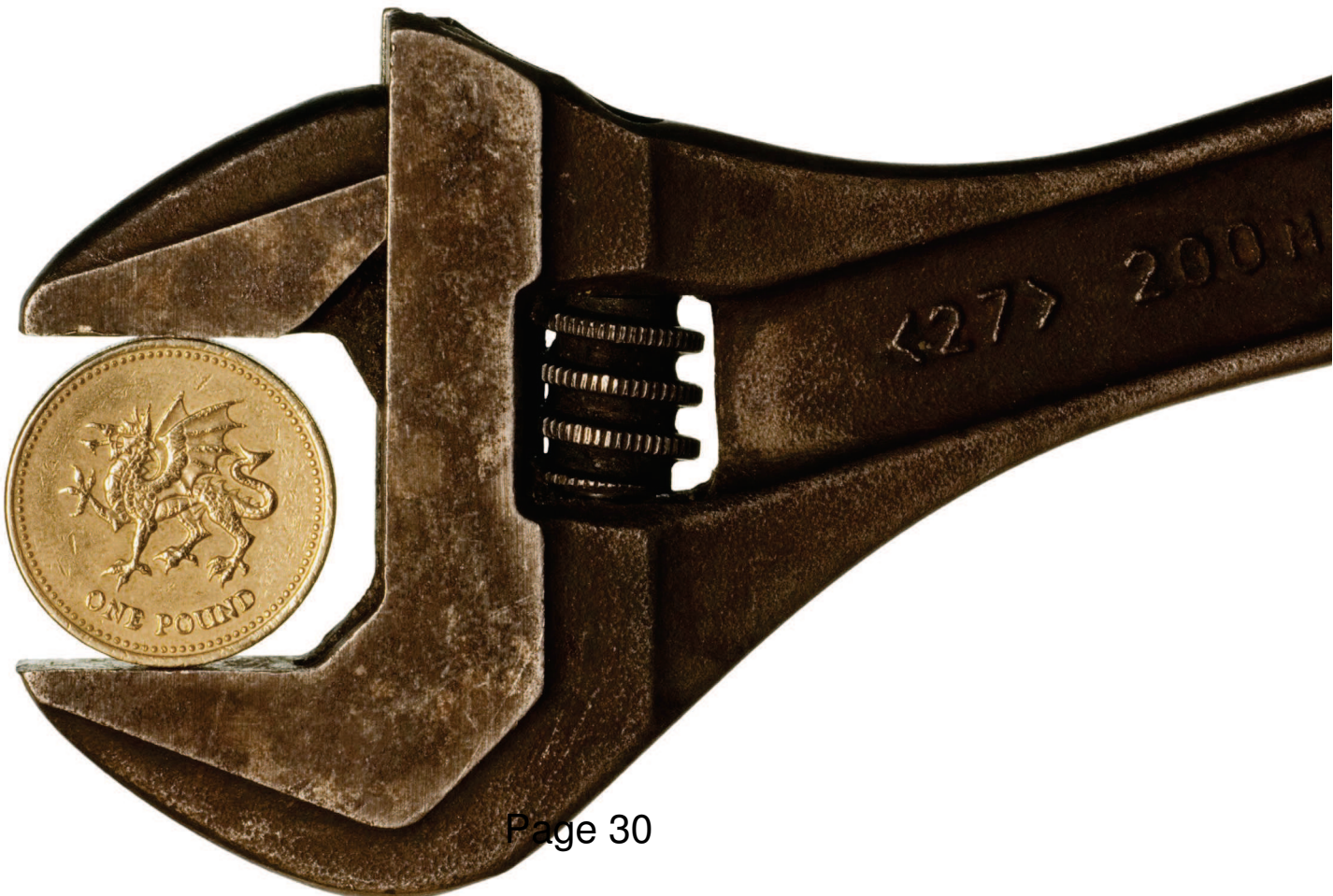
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Summary Report

Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and councils will need to further improve strategic financial planning in order to effect transformation and protect their financial resilience



Summary

- 1 Councils in Wales are experiencing significant reductions in the level of funding they receive from the Welsh Government. So far, most councils have managed these cuts successfully but the scale of annual reductions is set to increase in the period leading up to 2015-16 and beyond. 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. Funding levels are continuing to decline where revenue funding from the Welsh Government was approximately £283 million (seven per cent) lower in 2013-14 than 2010-11. In October 2013, the Welsh Government announced reductions in core funding of £175 million for 2014-15 and a further £65 million in 2015-16. By the end of 2016 the Welsh Local Government Association expects the local government shortfall will be in the region of £460 million.
- 2 In England, councils have already faced dramatic cuts in their government funding over the five year period of the Comprehensive Spending Review from 2011-12 to 2015-16. The Local Government Association in England calculates that this will represent a reduction of 40 per cent of core funding for local government in real terms by 2015-16, requiring total savings of £20 billion over this period. Whilst the level of reductions to grant income appear low compared to those seen in England, it should be noted that there is a greater predominance of councils that are highly grant dependent in Wales so the cuts have been deeper than they at first appear.
- 3 Welsh Councils are still allocated specific grants, whereas this ring-fencing has been largely eliminated in England. Councils and the Welsh Local Government Association are of the view that this grant funding should be un-hypothecated and included as part of the revenue settlement. At the timing of the annual funding settlement, the details of the allocations for a number of specific grants can still be subject to finalisation, creating further uncertainty for councils in their financial planning and budget setting.
- 4 To manage the impact of these budget decreases will require significant changes in the way that local council finances are managed and governed, as approaches to financial management that were once good enough, are now unlikely to be fit for purpose to continue to deliver strong financial outcomes in the future.
- 5 The Welsh Local Government Association has continued to raise concern over the stability of funding allocations and the annual incremental budget setting by Welsh Government. Annual budget setting, together with late changes to budget settlements and in-year reductions to grant funding, impacts upon councils' ability to effectively plan and agree their own budgets.

- 6 We reviewed the robustness of management and planning arrangements to support financial resilience at each council, focusing on how councils plan and then deliver their budget commitments. These reviews involved external audit teams undertaking fieldwork of each council's financial planning arrangements.
- 7 As we undertake further work on the financial resilience of councils we intend to develop a 'traffic light' reporting system covering financial and workforce performance and identify where further improvements are required. This approach to assessing financial resilience is similar to that taken by Grant Thornton in England¹ and will enable useful comparisons to be made. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders in coming months.
- 8 The third and final element of this study draws comparisons with the experience of English councils, based on similar analysis conducted in 2013-14 by Grant Thornton. By making these comparisons, the report identifies some key lessons to support Welsh councils in becoming financially resilient in the future. Councils in England have faced significant financial challenges earlier than councils in Wales. There is therefore an opportunity for Welsh councils to learn from and draw upon the experience of councils in England.
- 9 This work was undertaken by staff of the Wales Audit Office and Grant Thornton on behalf of the Auditor General. The focus of the review is the 2014-15 financial planning period and the delivery of 2013-14 financial plans. We have also analysed the financial performance track-record of councils in 2011-12 and 2012-13. There were three main elements to our work.
- 10 Based on the findings of this audit, the Auditor General has concluded that **Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.**

¹ *Rising to the challenge - The evolution of local government*, Grant Thornton, November 2014.

Most councils demonstrate clarity of vision and set coherent corporate objectives but need to ensure their medium term financial plans and operational plans are sufficiently aligned to deliver their objectives

- 11 Robust strategic planning is crucial to the future financial resilience of councils. Effective planning requires a focus on a suitably long-range financial horizon, an understanding of financial risks and the development of contingencies within medium term financial plans. Our analysis found areas for improvement in most of the key areas we reviewed, and without improvements, planning arrangements will become increasingly unable to deal with and address the growing financial pressures on councils.
- 12 Arrangements will need to evolve to reflect changing patterns of delivery and proficiency in financial management will need to improve significantly to ensure financial resilience in future years. If financial arrangements do not evolve and improve, councils will increasingly 'have to run to stand still' each year and their financial positions may see a corresponding decline.
- 13 Across Wales, a greater number of councils failed to accurately forecast the budget shortfalls they would need to bridge by the end of the 2013-14 financial year than for 2012-13. However, the difference between the anticipated levels of savings required at the time of setting the budget and those actually required during the year were relatively small in most cases, limiting their exposure to financial risk.
- 14 The majority of councils were able to identify specific savings measures to address budget shortfalls. However, an increasing number of councils had not fully identified savings proposals to manage their funding gaps and were still developing their detailed savings plans at the time their budgets were approved.
- 15 Whilst most councils identified the funding gap to be met by savings plans for 2014-15 and beyond, a significant number have not identified plans to fully meet the shortfall. There are also a few councils where poor performance on delivering savings plans would have a significant impact on financial resilience if not mitigated by some other means. The assumptions and arrangements that underpin savings plans, when judged against SMART² principles, are not sufficiently robust and significant development is needed in all areas. Further work on assumptions will be a key area of focus for councils in Wales over the next few years. In England, this area of financial planning has required the most improvement but, encouragingly, has also seen the highest level of evolution and innovation.
- 16 A general pattern of increases in reserve balances suggests that councils in Wales are managing to deliver surpluses in spite of the financial challenges they face. These surpluses offer the opportunity to build up a financial buffer and to invest in service transformation as well as supporting delivery of local priorities. However, there are concerns that without a clear strategy for utilisation of reserves as part of the medium term financial plan, some councils may be criticised for hoarding funds without a clear and agreed purpose.

² SMART stands for specific, measurable, achievable, relevant and time bound.

- 17 Our analysis shows that the majority of councils in Wales are deemed to hold adequate levels of reserves. There were a very small number of councils identified where the ratio of reserves to Gross Revenue Expenditure (GRE) is declining, indicating that reserves are being drawn down to support revenue expenditure, a significant indicator of financial stress. For those councils holding low levels of useable reserves, there is a risk that they will not be able to maintain a balanced budget if savings plans fall short or if there is significant slippage on the budget due to cost pressures.

Financial management and controls are sound in most councils, although many need to improve budget setting and monitoring and ensure there is sufficient capacity and capability in the finance team to meet the challenges ahead

- 18 Overall arrangements for financial management and control were sound at the majority of councils and should provide a good foundation that councils can build on to address future pressures. However, we found that performance is mixed and noted significant risks in all key areas we reviewed. Few councils are fully exploiting the potential to generate income. Importantly, the effectiveness of budget setting and control and the capacity and capability of finance managers are both issues of concern in many councils.

Whilst financial governance arrangements are comparatively robust, the quality of performance and cost information being used and the level of scrutiny and challenge in Welsh councils varies significantly, which can undermine the effectiveness of decision making

- 19 Councils current performance on financial governance is better than in other areas of financial management we reviewed. However, areas of weakness included oversight and accountability for ensuring savings plans are delivered. Major failings in governance are rare, but where they do occur, they can have far-reaching financial and other negative consequences. The report from the Commission on Public Service Governance and Delivery (January 2014) highlights some of the changes that will be required to support good and effective governance in order to meet the challenges of future local government reforms and deliver the expected reductions in funding.

Councils are under significant stress and financial management arrangements that were once good enough will not remain fit for purpose in the face of increasing financial pressures

- 20 The financial management arrangements at Welsh councils are under significant stress, and are not consistently delivering strong financial outcomes. Experience of funding reductions suggests that management arrangements that were once good enough will not remain fit for purpose without significant evolution.

The experience of English councils shows that it is possible to deal effectively with significant reductions in funding through redesigned service delivery models supported by sophisticated financial planning

- 21 Whilst some councils in England are potentially facing a financial tipping point, it is encouraging that the majority continue to deliver a sustainable financial position. To maintain a stable financial position has required a fundamental re-think about what services should be delivered; who should receive them, and the models by which they should be delivered to reduce cost and improve efficiency. This service re-design has, in turn, required the development of highly sophisticated financial management arrangements that, four years ago, were not imagined. Given the response of councils to the step change in England, it is imperative that Welsh Councils focus on developing their future model of delivery and revise their service delivery structures to reflect this model. Failure to do so will increase the risk of councils being unable to deliver their statutory responsibilities and remain financially viable.

Recommendations

Recommendation

Councils need to make informed assumptions about the future trajectory of central funding in the absence of definitive guidance and identify the desired role of the council within a chosen delivery model for the future.

[Section 1]

R1 Councils should ensure that their corporate plan:

- **is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;**
- **maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and**
- **should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.**

Adverse financial scenarios should be anticipated and mitigated against in the medium term financial plan, with built-in flexibility to deal with risks using reserves and other contingencies.

[Section 1]

R2 Councils should ensure that their medium term financial plan identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.

Annual savings requirements must be realistic and achievable and avoid 'back-loading' towards the latter years of the medium term financial plan. Savings in the latter years of the medium term financial plan should focus on service transformation projects that need to be developed well in advance of any projected financial benefit.

[Section 1]

R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.

Failure to deliver planned savings will have a severe cumulative effect on a council's ability to continue to be financially resilient in the future.

[Section 1]

R4 Councils should regularly review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.

Recommendation

A reserves strategy should form part of the medium term financial plan and should clearly demonstrate the rationale for reserves in light of financial risks. The plan should include a policy on the use of revenue surpluses.

[Section 1]

R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.

A better understanding of income for subsidised activities can help inform investment and service delivery decisions. Profit share arrangements with commercial organisations and the commercialisation of some council services should also form part of strategic planning discussions.

[Section 2]

R6 Councils should develop corporate wide policies on income generation.

It will be increasingly important that Council financial management systems, including budget setting and monitoring, are regularly tested. This is to ensure they continue to be effective and provide councils with assurance that their internal systems are fit for purpose.

[Section 2]

R7 Councils should

- **strengthen budget setting and monitoring arrangements to ensure financial resilience; and**
- **review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.**

Any proposed reductions in finance team capacity should be carefully considered in light of the need for enhanced finance skills to manage the challenges councils face. These skills include commercial awareness and cash-flow management, as well as the ability to engage with councillors, service managers and the public. Recruitment, cover and succession planning arrangements need to be strengthened.

[Section 2]

R8 Councils must review their finance teams and ensure that they have sufficient capacity and the right skills to meet future demands.

The effectiveness of financial overview and scrutiny will be increasingly tested as the financial pressures intensify. Councillors will have to become more skilled at addressing financial risks and understanding the financial implications of their decisions. Council officers will play an important role in helping to equip and support councillors to deliver these demanding expectations.

[Section 3]

R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.

Part 1

Most councils demonstrate clarity of vision and set coherent corporate objectives but need to ensure their medium term financial plans and operational plans are sufficiently aligned to deliver their objectives



- 1.1 In this section of the report, we focus on the effectiveness of councils strategic financial planning arrangements. For the purposes of our review, we have used the following as the key characteristics of effective strategic financial planning.

Characteristics of Effective Strategic Financial Planning

- Focus on achievement of corporate priorities is evident through the financial planning process.
- The medium term financial plan focuses resources on priorities.
- Service and financial planning processes are integrated.
- The medium term financial plan includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working.
- Annual financial plans follow the longer-term financial strategy of the Council.
- There is regular review of the medium term financial plan and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed sensitivity analysis on its financial model using a range of economic assumptions including the impact of funding guidance from central government.
- The medium term financial plan is linked to and is consistent with other key strategies, including workforce KPIs can be derived for future periods from the information included within the medium term financial plan.
- Zero-based budgeting is used to improve strategic prioritisation during the financial planning cycle.
- Effective treasury management arrangements are in place.

Most councils translated their corporate vision into a coherent set of improvement objectives but did not ensure the corporate planning framework adequately supported their delivery

- 1.2 In addition to setting out the priorities for residents and the local area, a council's corporate strategy should also articulate its medium-to-long term vision. This vision should cover what services will be delivered, the model for delivering these services, how the Council will work with partners and what infrastructure and resources will be needed to support delivery of priorities. This clarity of vision can help to avoid piecemeal strategic development, which can lead to inefficiencies.
- 1.3 Many Welsh councils have clearly revisited their vision and aims in light of the impact of austerity and reductions in funding. A number of common themes were noted across all councils in developing their vision and strategic aims, including:
 - a a stronger focus on community engagement;
 - b a focus on sustainable services;
 - c a focus on alternative delivery models such as collaboration and shared service delivery; and
 - d a need to restructure the organisation, and improve culture and behaviours across the council.
- 1.4 It was clear that councils see the period of austerity as an opportunity for strategic and operational change. This appetite for change should help drive improvement in financial management arrangements. Our review found that most councils had good strategic planning arrangements for developing robust improvement objectives within their improvement plans. However, some common themes were identified across a number of councils, where these arrangements can be strengthened. In particular, improvement objectives were not always SMART; clear on what they are meant to achieve; or prioritised in the context of the Council's corporate priorities and reducing resources.
- 1.5 It is important that corporate aims are translated into SMART objectives. Without clear objectives it is difficult to measure how well councils are performing and whether risks are being addressed. Failure to develop SMART objectives also reduces the effectiveness of operational service plans and limits elected members' ability to hold those responsible for delivery to account. Where it is difficult to establish SMART objectives for a particular aim this can often be a good test of how robust the corporate aim actually is.

- 1.6 The corporate planning framework supports the development of the corporate plan and all supporting plans including the medium term financial plan. Therefore, the framework needs to be robust in order to ensure that the corporate plan is fit for purpose. A significant minority of councils had weaknesses in their planning arrangements, because the corporate plan objectives and the corporate planning framework were not effectively inter-linked and the planning framework did not clearly set out how objectives were to be achieved.
- 1.7 We reviewed how effectively councils link their corporate improvement objectives to service delivery and financial plans. Approximately a third of councils showed a need for further improvement. A number of common themes were identified, including:
- a a lack of clarity of how corporate and service objectives aligned to the medium term financial plan;
 - b links between corporate and service objectives were under-developed and it was unclear how the objectives were aligned to support each other; and
 - c improvement objectives were not adequately linked to financial savings plans.
- 1.8 The extent to which corporate improvement objectives are fully reflected in service and financial plans needs to be improved at many councils in Wales. The corporate planning framework should demonstrate a clear 'golden thread' setting out how achievement of corporate objectives is underpinned by service plans, the medium term financial plan and other supporting strategies. Without such a coherent and robust framework, there is a risk that supporting plans are developed in silos, do not support the overall strategic aims and could even inhibit their achievement. The corporate planning framework should be used to make sure the links between strategic and operational planning are explicit, even where the documents are drafted in different parts of the organisation.
- 1.9 The experience in England has shown how difficult it can be to translate the corporate vision and aims into coherent operational objectives that can be delivered. This challenge should not be underestimated. The link between the corporate plan and other supporting strategies has been an area of gradual improvement over the four years of review work undertaken by Grant Thornton in England. Councils have increasingly demonstrated effective and mutually supportive links between strategic plans, the medium term financial plan and service plans; and links to supporting strategies such as treasury management, capital programmes, housing, workforce and other areas. A key issue was the need to ensure that individual supporting strategies were regularly reviewed and kept up to date ensuring that supporting plans are updated in line with revisions to the corporate objectives and the medium term financial plan.

While a number of Welsh councils have effective financial planning frameworks, they need to ensure that they remain fit for purpose and are fully aligned to medium term strategic priorities

- 1.10 Robust strategic planning is crucial to the future financial resilience of councils. Our analysis identified significant issues in most of the key areas we reviewed. Unless planning arrangements are strengthened, councils will increasingly be unable to deal with future financial pressures. In England, Grant Thornton has seen financial arrangements evolve significantly in response to these pressures. However, we have also noted that the minimum standard required to ensure financial resilience has also risen each year. This means that a failure to evolve leads to a decline in the effectiveness of their financial arrangements and a corresponding decline in the financial position.
- 1.11 Our work identified that approximately half of Welsh Councils had effective financial planning frameworks that were clearly linked to savings plans and set out across a reasonable timeframe. It is important to emphasise that even those whose current planning frameworks are considered effective, will need to evolve to respond to future financial challenges. We identified a number of areas in which strategic financial planning arrangements need to be improved. In particular, councils should ensure that the planning framework makes explicit links between its corporate plan objectives and financial planning requirements; and financial plans set out clear, forward-looking solutions to the medium term challenges the Council expects to face.
- 1.12 The experience of councils in England has highlighted the importance of establishing a robust financial planning framework that actively supports the delivery of a council's corporate objectives. Without this clarity, financial plans will often fail to support the achievement of these corporate priorities. Grant Thornton's work in England has also highlighted the importance of establishing a medium-to-long term financial planning horizon, with increasing numbers of councils in England creating a three to five year financial planning horizon in their financial models, with some looking up to 10 years ahead. One of the perceived barriers to this in England has been a reluctance to plan in the face of uncertainty about future funding settlements or even the future policy of the government.
- 1.13 Whilst there is a balance to be struck in regard to the financial resources that have to be committed, in general, those English councils that have made good assumptions about future cuts have been well placed to deliver service transformation projects where the financial benefit will often only be realised in later years. English councils that do not have a sufficiently long planning horizon have found themselves under pressure to deliver the financial benefits of transformation in enough time to cover projected deficits.

Whilst all councils had a medium term financial plan in place, the quality and robustness of the plans was mixed

- 1.14 The medium term financial plan is a key component of an effective corporate planning framework. Our review also considered whether the Council's annual budget flows from and influences the longer-term financial strategy. Councils performed better in this area, with almost two thirds of councils adequately linking annual budgets and the medium term financial plan. Those councils that are developing medium term financial plans for the first time tended to showed greater risk as they are still developing clear links with annual budgets. Where divergence between the annual budget and the medium term financial plan occurs, it is often because of weaknesses in medium term financial plan assumptions or a failure to review and update the medium term financial plan to better reflect the Council's circumstances and operating environment.
- 1.15 Whilst all councils had a medium term financial plan in place, the quality and strength of the plans varied. Common weaknesses included assumptions within the medium term financial plan that were overly optimistic and not adequately challenged by council committees, and medium term financial plans not being fully integrated with corporate plans, the performance reporting framework and improvement objectives. The medium term financial plan should act as the link between the corporate strategy and the budget setting process. This linking should ensure that any decisions on budget amendments, reductions and investments are aligned to corporate improvement objectives. Where this does not occur, it is a strong indication of weaknesses in the corporate planning framework and the robustness of the medium term financial plan. Only a third of Welsh councils were considered to have adequate arrangements in place that fully aligned budget setting with the delivery of the corporate vision, aims and improvement objectives.

Area of good practice noted - Conwy County Borough Council

To support their prioritisation of services Conwy County Borough Council, undertook a service prioritisation exercise involving councillors in 2010. This exercise allowed the Council to check the proportion of its budget allocated to delivery of each of the Council's priorities. This exercise has been built on in subsequent years to ensure additional resources are only deployed based on robust business cases, and are directed to the priority service areas, which are in turn linked to the efficiency/saving areas the Council has identified each year.

The use of financial Key Performance Indicators within Medium Term Financial Plans to monitor and manage performance is under developed and poor

- 1.16 The use of KPIs within the medium term financial plan can be useful to measure progress and financial resilience, particularly for important issues such as liquidity, return on investments and borrowing levels. Our analysis shows that the development and use of appropriate KPIs within medium term financial plans is one of the areas where councils need to improve, and the majority have struggled.
- 1.17 Our review found that some councils had not developed any KPIs and have not reached a stage of maturity where performance information is being used to underpin decision-making. These weaknesses stop members from scrutinising performance, and even where councils have KPIs in place for service delivery and financial performance, these are not explicitly set out as such within the medium term financial plan. The use of KPIs within medium term financial plans is variable in England as well as Wales and tends to work best when the KPIs are set with reference to external benchmarking information.
- 1.18 As we undertake further work on the financial resilience of councils we intend to develop with councils key financial and workforce performance measures akin to that taken by Grant Thornton in England. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders in coming months.

Medium Term Financial Plans are subject to regular review, but some weaknesses remain in the use of scenarios and assumptions

- 1.19 All councils had their medium term financial plan reviewed at least once during the financial year by a Scrutiny Committee and/or by Cabinet. However, we identified a number of weaknesses with these arrangements across many councils, including:
- a the medium term financial plan was not tested under different financial scenarios to assess the impact of variances in the assumptions making it difficult to determine the robustness of the plan; and
 - b recommendations made by Cabinet and/or Scrutiny Committee following their review of the medium term financial plan were still being addressed at the time of our review which created a heightened level of risk particularly around the achievement of savings.
- 1.20 Over the last four years, one of the key areas of improvement made by English councils has been the medium term financial plan's capacity to absorb financial risks. Adverse financial scenarios have increasingly been anticipated, and mitigated against, and the flexibility of the medium term financial plan to deal with as yet unforeseen scenarios has improved. The best medium term financial plans now include a discussion of financial risks and the impact of differing financial scenarios and sensitivities in the narrative commentary, often in the context of justifying the assumptions used in agreeing the medium term financial plan.

1.21 The advantage of this approach has been a greater awareness of the need for mitigation strategies. Many councils have set aside significant reserves to provide this flexibility and often have built further contingencies into their annual budget. A number of English councils have benefitted from their policy of delivering savings in advance of need and then stripping the savings from the start of the new financial year. This means that savings plans delivered early provide additional monies that can be held in reserve or used to tackle other budget pressures. Others have benefitted from budgeting investment returns, and other income, based on worst-case scenario returns and in the expectation that income will exceed the levels that were assumed or planned. As long as the use of additional income to fund overspends is reported transparently (both corporately and by services) this can add resilience to Council plans.

While most councils have a good track record of forecasting budget shortfalls and recognise the importance of a fully defined savings plan, an increasing number underestimated the level of savings required by 31 March 2014

- 1.22 Across Wales, a greater number of councils struggled to accurately forecast the budget shortfalls they would need to bridge by the end of the 2013-14 financial year. However, the difference between the anticipated levels of savings required at the time of setting the budget and those actually required during the year were relatively small in most cases, limiting these councils exposure to financial risk.
- 1.23 An increasing number of councils were able to ensure that budgeted shortfalls were covered by planned savings delivered during the financial year. Where shortfalls were not covered by planned savings, councils funded any additional shortfalls through further ad-hoc savings. Overall, these unplanned additional shortfalls were not of a significant value in any instances.
- 1.24 The majority of councils continue to accurately predict budget shortfalls in their financial planning. There was an improvement in identifying budget shortfalls between 2011-12 and 2012-13, although in 2013-14 the number of councils accurately predicting shortfalls fell slightly. This decline is primarily due to increased pressure on councils to deliver the previous year's approved savings whilst also identifying further additional savings in future years. There may be pressure to predict higher levels of savings, which are becoming increasingly difficult to realise as the easiest savings options have already been utilised.
- 1.25 In England, Grant Thornton's work found that most councils have been relatively successful in predicting budget shortfalls. There has been a general trend to use worse case financial scenarios as the basis for the medium term financial plan assumptions, which has contributed to the frequency of unplanned surpluses and therefore the increase in reserve levels in England. While this 'prudent' approach is preferable to over optimistic financial scenarios, councils do have an obligation to council tax payers to forecast financial outcomes as accurately as possible to limit potential council tax increases.

- 1.26 We also looked at whether Welsh councils had any budget deficits that could not be addressed and still needed detailed savings plans to be developed to show how these would be addressed at the time the budget was approved. Across the period 2011-12 to 2013-14 the majority of Welsh councils demonstrated good performance in this area, and the source of savings was generally identified at the time the budget was set. However, in 2013-14 a growing number of councils were still developing detailed savings plans at the time the budget was approved.
- 1.27 In 2013-14, councils with gaps in their savings plans tended to be restricted to those that had not accurately predicted the budget shortfall they would face at the year end. This was not necessarily the case in prior years. For example, in 2012-13 a number of councils successfully identified a budget shortfall but were not able to define savings plans to the full value of that shortfall. This suggests that by 2013-14 more councils were recognising the need to start the financial year with a fully populated savings plan.
- 1.28 In England in 2013-14, Grant Thornton found that the majority of councils had fully developed savings plans, covering the full value of the predicted budget shortfall for that year. Increasing numbers of councils, have also developed savings plans that cover all or part of the predicted funding gap for future years of the medium term financial plan. Council predicting future funding gaps is a significant improvement over the last four years, where it was common for some councils to start the financial year without a full understanding of how the budget shortfall would be met. Many English councils continue to struggle with developing detailed savings schemes beyond the current year, particularly beyond year two. Where this is achieved, it tends to be related to longer-term transformational projects where the financial benefit is phased in over several years.

Most councils have forecast the savings gap for 2014-15 and beyond but in many cases savings plan assumptions and arrangements are not robust and need significant development

- 1.29 Whilst most councils identified the projected funding gap to be met by their savings plans for 2014-15 and beyond, a significant number did not identify sufficient savings to fill this gap. We also identified a small number of councils where poor performance in delivering previous years savings plans were having a significant impact on their financial resilience and needed to fill the financial gap by other means, for example from their reserves.

- 1.30 The robustness of savings plans assumptions and planning actions is weak, when judged against SMART principles, and all councils need to develop their arrangements significantly if they are to improve their financial performance. We found that whilst almost two thirds of councils had adequate arrangements for identifying potential funding shortfalls, over a third were considered to have weaknesses in the accuracy and deliverability of their savings plans. In particular, we found that some councils were still reacting to the government announcement regarding a decrease in Revenue Support Grant (RSG) levels for 2014-15 and were late in identifying shortfalls beyond the next financial year. Their plans for addressing the savings gap for 2015-16 and beyond were unclear and they continued to struggle to achieve their savings targets. There are serious concerns about the capability and capacity of these councils to deliver future savings.
- 1.31 A quarter of councils were thought to carry a risk of not being able to mitigate saving shortfalls without falling below the useable reserves threshold agreed by the council, which could lead to a significant impact on operations. Generally, this was because councils did not have sufficient reserves to meet future saving shortfalls as the reserves have been used in the past to address funding gaps. In addition, council tax increases had already been included in future saving plans to increase council income and so any further council tax increases were deemed to be unacceptable to bridge any saving shortfalls. In addition, savings plans had weaknesses and the plans did not “bring forward” sufficient early savings to offset budget deficits.
- 1.32 In England, Grant Thornton found that the most notable financial planning risk in 2013-14 was the sheer scale of savings that needed to be achieved over the life of the medium term financial plan, particularly where it is unclear how these will be achieved. In most cases, some or all of the in-year savings required in 2015-16 and beyond are yet to be defined. In other cases, the short timescale for delivering savings is a major concern. In addition, some councils continue to rely too much on top-slicing of budgets rather than transformational schemes and for a small number of councils, 2015-16 will mark a financial tipping point unless radical improvements are made in how savings are planned and delivered.
- 1.33 For councils in Wales, the key lesson from England’s experience is the importance of developing robust savings plans and service transformation schemes in as much detail as possible that will be delivered in full in a realistic time period. As a small number of English councils are now finding, if projected deficits are not accurately identified and addressed, there is a real risk that the cumulative deficit carried forward may lead to financial failure.

In general, the financial assumptions in council saving plans have been subject to some challenge and scrutiny from councillors, but weaknesses in the information used to monitor performance undermines accountability arrangements

- 1.34 The financial assumptions adopted by councils as part of their current saving plans have generally been subject to challenge and scrutiny by senior managers and councillors. However, we identified a number of key themes where improvements are needed. For example, plans often have:
- a an optimistic outlook on the national pay award, with councils taking their best estimate of a national pay increase;
 - b a lack of detail behind assumptions;
 - c limited benchmarking of assumptions against other councils, in particular fees and charges;
 - d a lack of consistency in the way officers applied assumptions across directorates; and
 - e savings plans focused on cost rather than cost effectiveness and value for money.
- 1.35 These weaknesses make it difficult for members to scrutinise and challenge performance and hold the executive and senior officers to account. The issue of poor scrutiny is particularly salient because Grant Thornton found that in England, some councils have overestimated the contribution of savings (and income generation) in delivering a balanced budget. This has been a significant area of improvement and by 2013-14 most English councils were making more robust estimates in this regard, although a significant minority still have weaknesses in their arrangements for delivering savings.

Councils in Wales demonstrate mixed performance in developing savings plans that follow SMART principles

- 1.36 Whilst just over half of councils in Wales had adopted SMART savings plans, our review identified that many councils had not set realistic and specific measures to deliver savings within the timeframes set. This raises concerns about the ability of some councils to deliver large transformational projects.
- 1.37 One of the major weaknesses in councils' savings plans is their achievability. Our review found that only a third of councils have saving plans that we consider to be achievable in terms of value and less than a quarter have plans where we consider the majority of savings are likely to be delivered on time.

- 1.38 The majority of councils continue to struggle to deliver all of their identified savings plans in full. We identified a number of common weaknesses in this area relating to:
- a Limited information on individual savings plans and how they will be achieved in the set time scales.
 - b Proposals lacking contingencies for slippage, including impact analysis on the savings gap and how councils will fund any short term slippages.
 - c Poor sensitivity analysis, in particular with regard to worst case scenarios should the savings not be met in 2014-15 and what options for corrective action are available to the Council.
 - d Significant service demand pressures (most commonly adult services) which are identified within a number of council saving plans but often lack detail and fail to make clear how these pressures will be mitigated by end of the financial year.
 - e Deficiencies in oversight and challenge on savings. For example, individual savings plans not being separately reported and analysed in finance management reports, which makes it difficult to scrutinise performance when planned schemes do not deliver expected savings.
- 1.39 We consider these weaknesses in savings plans to be the most crucial challenge facing councils in the next few years in both England and Wales.
- 1.40 In comparison, Grant Thornton found that many councils in England have now established comparatively robust arrangements to support delivery of their savings plans. The most common trigger for heightened risk at English councils is the failure to develop specified savings schemes beyond a one-year horizon. In England, this is particularly acute, as the relatively easy savings have been delivered and councils need to look to longer-term transformational schemes to address the significant budget pressures they face. Grant Thornton reported that service and back office transformation takes time to develop, often several years. Those that do not yet have these plans in motion will be at risk.
- 1.41 Close management of savings plans has become a pre-requisite of successful financial management. A corporate wide programme or project management approach to delivering large-scale plans is a feature of those councils that have had success in delivering large-scale savings to date. Sophisticated risk-based reporting on progress and the development of contingency plans are also increasingly important features.

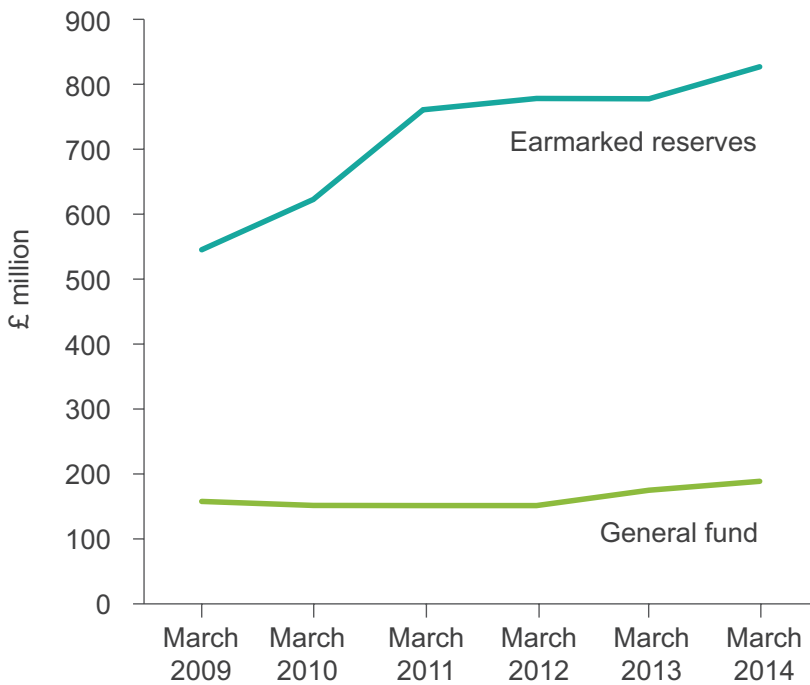
- 1.42 Some of the key developments seen at English councils over the past four years that enable effective savings delivery include:
- a A rise in formalised transformation or change programmes that look at the full range of council operations and establish work-streams to develop detailed schemes under a number of theme headings.
 - b Detailed service reviews to evaluate opportunities to deliver services more efficiently, including consideration of alternative delivery models.
 - c Use of a Project Management Officer to manage major schemes – typically including a separate governance structure, clear accountability, project management experts and cross service involvement.
 - d Use of standardised business cases and other supporting materials.
 - e Cultural change that promotes financial awareness at all staff management levels across council services, often accompanied by strengthening financial accountability and management skills in individual services.
 - f Strong councillor led governance arrangements to oversee delivery of savings, which reports delivery of savings plan separately from budget reporting and identifies what the shortfall is and sets out how the savings gap will be closed.
 - g Delivering enhanced levels of savings to maximise the potential surplus which can be invested or used to build up reserves. (Contrasting with the current practice prevalent amongst Welsh councils of phasing savings during the year in order to deliver the planned outturn, which leaves little scope for slippage).

Despite the significant financial pressures all councils face, reserves continue to increase and councils need to ensure they have clear strategies on the creation and use of reserves when setting their medium term financial plans

- 1.43 On the surface, a continuing trend of increases in councils' average reserve balances suggests that it is one of the strongest performing criteria of financial resilience in Wales. However, whilst it has been presumed for the purposes of this analysis that high levels of reserves are considered to reflect strong financial resilience, this is a more complicated and complex picture. Building up reserves with no clear purpose is not an effective use of resources.
- 1.44 Councils are required to hold various types of reserves, some of which are useable to support spending and others which are unusable, merely being held for technical accounting purposes. Those that are useable and cash backed are either held in relation to specific commitments or cost pressures (earmarked reserves) or as security against unforeseen expenditure or events (council fund or general reserves).

1.45 As can be seen from **Figure 1**, over recent years the overall level of reserves held by Welsh councils increased. In 2013-14, general reserves increased by £15.2 million and earmarked reserves increased by £49.0 million. This increase is somewhat surprising as councils indicated two years ago that they expected reserves to fall significantly in 2013-14. However, this may be due to a combination of issues including the timing of budget reductions, delivery of financial savings or deliberate plans to build up reserves to manage future risks.

Figure 1 – General fund and earmarked reserves: Welsh unitary authorities at the end of each financial year



Source: Wales Audit Office review of published accounts

- 1.46 Earmarked reserves make up the largest element of total reserves and include balances and amounts set aside for, amongst other items, equal pay or single status costs, insurance, PFI payments, funding for capital schemes or repairs and renewals. The amount of general and earmarked reserves as a percentage of GRE varies significantly between audited bodies.
- 1.47 Councils must determine the extent of the reserves they hold based on their assessment of need, risks and future commitments. They also need to ensure that they are used in a sustainable way that supports on-going service change and transformation rather than simply supporting annual revenue expenditure on an on going basis. The appropriate level of reserves for any council will depend upon a number of factors and each council should set a reserves target based on clear and agreed criteria.
- 1.48 The extent to which budget underspends are driving the increased levels of reserves needs to be further explored. Many councils are continuing to report year-on-year underspends against their revenue budget. Whilst logically underspends are preferable to overspends, consistent high levels of variances against revenue budgets indicate that a greater accuracy in the budget setting and monitoring process is needed. Underspends should not be relied upon in the medium term to bolster reserves or to mask other areas of overspend within the budget.
- 1.49 If a council is holding low levels of useable reserves, it may be unable to maintain a balanced budget if savings plans fall short or if there is significant slippage on the budget. A reducing reserve level is also a strong indicator that a Council might struggle to maintain financial resilience in the coming years. Despite the challenges, most councils have maintained or increased their reserve levels - often by delivering budget surpluses - to insure against financial difficulty. The general trend of increasing reserves is common to both Wales and England.
- 1.50 Grant Thornton reported that in England in 2013-14, the level of risk relating to inadequate reserve levels has reduced, in line with the longer-term trend, although a small number of councils did have notably low levels of reserves. In these cases, the ability to absorb unexpected financial problems, to maintain services during transformation, or to invest in schemes and services, is severely limited. Low levels of reserves can also force councils to borrow to fund capital programmes or to forgo capital investment opportunities.
- 1.51 In both Wales and England, there has been a significant commentary on the growth in council reserve levels, especially the perceived contradiction of generating surpluses and transferring these to reserves at a time of significant cuts in council budgets. The conclusion often drawn is that council tax payers are footing the bill for the accumulation of cash that is not being used for maintain and/or improve services.

- 1.52 However, in both countries the underlying issues are complex. Many surpluses are specifically planned for in order to build up earmarked reserves for specific future purposes – such as house building or support for regeneration work. Councils are also prudently setting aside reserves to enable them to cope with risk – such as the failure of a savings programme to deliver benefits on schedule.
- 1.53 It has to be recognised that once reserves are used they are gone for good. Pressure to use reserves to fund revenue expenditure, for example to avoid council tax rises, reflects a very short term view as this is not sustainable and eventually the money will have to be found elsewhere. Reserves are better used to help fund capital projects and service transformation, while providing security against financial risks. As long as a council is using reserves in a planned and strategic manner, it can refute charges of ‘hoarding’.
- 1.54 In England Grant Thornton found that there has been increased use of more sophisticated treasury management policies, which ensure that reserves are made to work for the Council while retaining the liquidity needed to mitigate financial risks. There is a strong argument that the accumulation of reserves in times of economic hardship can actually reflect good management and mitigation of financial risks.

Part 2

Financial management and controls are sound in most councils although many need to improve budget setting and monitoring and ensure there is sufficient capacity and capability in the finance team to meet the challenges ahead



- 2.1 In this section of the report, we focus on the councils financial management and control arrangements. For the purposes of our review, we have used the following as the key characteristics of good financial management and control, reviewing current standards of performance against these.

Characteristics of good financial control

Financial control

- Budgets are robust and prepared in a timely fashion and the Council has a good track record of operating within its budget
- Budgets are monitored at an officer, member and cabinet level and officers are held accountable for budgetary performance
- Financial forecasting is well-developed and forecasts are subject to regular review, including trend analysis, benchmarking of unit costs, risk and sensitivity analysis
- Budget profiles are accurate and regularly monitored
- There is particular focus on monitoring income-related budgets
- Savings programme reporting includes effective management information on countervailing savings and the use of RAG ratings
- The capacity and capability of the finance department and service departments are fit for purpose for effective financial planning and financial management
- Key financial systems have received satisfactory reports from internal and external audit
- Financial systems are adequate for future needs, for example, commitment accounting functionality is available
- Strength of internal control arrangements – there is an effective internal audit, which has the proper profile within the organisation. Agreed internal audit recommendations are implemented routinely and in a timely manner
- There is an assurance framework in place, which is used effectively by the Council. This is how business risks are managed and controlled
- The annual governance statement gives a true reflection of the organisation

2.2 The framework for financial management and control at most councils is generally adequate for current needs, but we noted risk areas in all areas of performance we reviewed. The level of risk across some aspects of financial management and control illustrates the need to strengthen arrangements in these areas. The specific aspects that we looked at are discussed in the following sections.

No council has a corporate policy on income generation, which is an area that will become more important as councils increasing look for alternative sources of revenue

2.3 Although the majority of councils had adequate and up to date policies and financial management arrangements for income generation, we considered that a significant minority face some risk because their arrangements need to be updated. Whilst most Welsh councils have recognised the need for an explicit policy on income generation and charging, the vast majority delegated decision making on fees and charges to directorate and individual service teams. The lack of an explicit policy document on income generation does not necessarily pose a significant financial control risk – such policy documents are not a common feature of English councils approaches to charging and income generation. However, as has been the case in England the development of corporate wide policies on income generation is likely to increase among councils in Wales as they seek to address the predicted funding deficits.

2.4 In England, councils are increasingly developing their strategic approaches to income generation, including an identification of the maximum level of charging and its potential negative impact on services and citizens. The work of Grant Thornton in England found that in areas such as car parking and green waste collections, increased charging has resulted in increased revenue streams. In other areas of operation, it has resulted in a better understanding of income for subsidised activities, particularly for non-statutory services such as leisure, and this has often led to increased investment in sports centres, theatres, golf courses and other facilities. Increasingly, profit share arrangements with private sector organisations have formed part of the strategic planning discussion. Finally, the commercialisation of some council services is also an area that some councils in England have been exploiting – for example, waste disposal and recycling services sold to the commercial sector.

Systems for budget setting and monitoring were adequate or carried only minor risks at most councils in Wales, although there was scope for improvement

- 2.5 We found that the majority of councils have robust budget setting and budget monitoring procedures and processes, including timely reviews, well-developed forecasts and effective financial target setting. This demonstrates that budget setting and monitoring processes are well embedded and effective. Some of the weaknesses we identified included: the need to improve the quality of demand forecasting by individual services during the budget setting process; a tendency for budgets to be based on optimistic assumptions and poor scrutiny and challenge of the performance of directorate and service budgets especially on unexpected over and underspends.
- 2.6 Systems for budget setting and monitoring have been a key area of development for councils in England over the past four years, driven by increasing demands on these systems to ensure continued financial resilience. Key features of effective and robust arrangements that we have seen develop include:
- a establishing a well embedded and effective budget setting processes;
 - b strong engagement from services in financial planning;
 - c increased focus on developing the budget on a zero base and on a bottom-up basis;
 - d traditional top-down emphasis for budget setting becoming much less common;
 - e increasingly, service managers taking responsibility for managing the budget, freeing the corporate finance team to develop as a business advisory function, and;
 - f monitoring the budget on a monthly basis and reporting this to the senior management team, with councillors reviewing at least quarterly.

The majority of councils in Wales are considered to have effective financial controls

- 2.7 Many councils can take assurance of the robustness of current financial controls, in particular, the work of their internal audit departments. However, where councils fared less well key factors were major system changes causing disruption during the year and the council failing to act on the findings and recommendations made by internal or external auditors and regulators.
- 2.8 Clearly, the establishment and maintenance of effective financial controls is a prerequisite to ensure financial resilience, and prevent material errors and fraud that could undermine the financial position. Failure to address identified weaknesses of this kind could result in a major failure of financial governance.
- 2.9 Grant Thornton reported that in England, one of the notable areas of improvement has been in the way that internal audit and other external reviewers have been used to support the financial control framework and provide early warning of weaknesses before they develop into major problems. The historic problems were not just about the capability and effectiveness of internal audit functions, but also about the impact they had in their organisations and the support they received from audit committees and senior management in driving improvement.

The effectiveness of finance managers, in terms of capacity and capability, was a cause for concern at more than half of councils in Wales

- 2.10 Just under half of councils in Wales were considered to have a full complement of finance managers. In other councils, there is some risk that finance team capacity and/or capability is not adequate to meet the enhanced financial risks all councils face. Common themes underpinning the heightened risk we identified include: councils having to rely on interim arrangements and short term agency staff to fill key finance positions within the finance teams; a loss of knowledge and experience of the Council when temporary staff leave; and difficulties embedding effective controls because staff turnover is high.
- 2.11 The experience of councils in England has shown that reductions in finance team capacity were a feature of many savings plans in the early years of austerity. Counter-intuitively, this also coincided with a need for higher finance skills to manage the financial challenge, compounding the level of risk. At the start of the austerity programme many councils in England reduced their finance teams in order to make savings in back office support costs. The loss of finance capacity would be compensated (in theory) by the increased devolution of financial responsibilities to managers within the Council service departments. Although these managers were not finance professionals, they were re-trained or recruited to fulfil this role by their organisations. Initially, this created a lot of uncertainty about whether these new arrangements would work effectively and would be able to adequately respond to the increasing financial challenge.

- 2.12 By 2012-13, Grant Thornton noted that these concerns had started to recede as the arrangements proved to be effective in many cases. In 2013-14, over 92 per cent of councils were assessed as having adequate or strong finance capability and capacity. This gave assurance that the new arrangements have been successful in most cases, and have even benefitted organisations by creating wider financial accountability outside of the finance department. In regard to other risks related to finance team capacity, an over reliance on key individuals, with limited options for cover or succession, remains a vulnerability at many English councils.
- 2.13 For councils in Wales that are considering options to reduce finance team capacity, it is important that they fully understand their future changing financial management needs and implement a managed process to replace lost central finance team capacity through greater devolution of financial responsibilities to individual services. A poorly managed reduction in finance team capacity can have serious implications for financial resilience in the future. The upside is that, if executed well, a planned and managed reduction in staff has proven to be highly successful in reducing costs and increasing the effectiveness of financial management. Cover and succession planning for financial managers in councils in Wales needs to develop at an early stage as the demand for highly skilled and experienced finance managers will continue at a high level in the current climate.

Part 3

Whilst financial governance arrangements are comparatively robust, the quality of performance and cost information being used and the level of scrutiny and challenge in Welsh councils varies significantly, which can undermine the effectiveness of decision making



- 3.1 In this section of the report, we focus on councils financial governance and accountability arrangements. For the purposes of our review, we have used the following as the key characteristics of good financial governance and have reviewed current practice and performance against these.

Characteristics of good financial governance arrangements

Financial governance

- There is a clear understanding of the financial environment the council is operating within.
- Regular and transparent reporting to members. Reports include detail of action planning and variance analysis.
- Actions have been taken to address key risk areas.
- The Chief Finance Officer is a key member of the leadership team.
- Officers and managers across the council understand the financial implications of current and alternative policies, programmes and activities.
- The leadership ensure appropriate financial skills are in place across all levels of the organisation – for example, a good understanding of unit costs and cost drivers.
- The leadership foster an open environment of challenge to financial assumptions and performance.
- There is an effective scheme of delegation, ensuring clarity of financial responsibilities and accountabilities.
- There is engagement with stakeholders including budget consultations.
- There are comprehensive policies and procedures in place for members, officers and budget holders, which clearly outline responsibilities.
- Internal and external audit recommendations are implemented promptly.
- Committees and cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place.

- 3.2 Councils performed better on financial governance than in other areas considered in our review, although some weaknesses remain, particularly in regard to ensuring the delivery of savings plans. Although the general frequency of financial governance risks was relatively low compared to other areas, our findings still highlight a need to strengthen arrangements in the face of increasing levels of risk due to financial pressures. A report from the Commission on Public Service Governance and Delivery³ (January 2014) highlights some of the changes that will be required in governance in order to meet the challenges of significant reductions in local government funding.
- 3.3 Experiences in England indicate that major failings in governance are rare, but where they do occur, they can have far-reaching financial and other consequences – as recent examples such as the cases of Mid Staffordshire NHS Foundation Trust and Rotherham Metropolitan Borough Council have shown. It is the nature of major governance issues that they can arise from weaknesses in arrangements that may previously have seemed relatively minor, highlighting the need for vigilance and effective action when weaknesses are identified.
- 3.4 It also follows, from the experiences in England, that improvements in governance arrangements can sometimes lag behind improvements that take place in other areas of financial management, as it is harder to measure the effectiveness of governance until something goes wrong. However, councils in Wales should make sure they identify and apply emerging best practice, to mitigate this risk.
- 3.5 Our review found that approximately half of Welsh councils faced some risk in one or more of these areas. The key areas where there is scope for improvement relate to the following:
- a failure to ensure separate analysis of the delivery and progress of saving plans routinely monitored by councillors as part of the Council's overall financial monitoring arrangements;
 - b limited or no performance indicators in place or presented at the relevant committee;
 - c a lack of accountability for budget underspends/overspends and delivery of savings from the directors and service heads;
 - d limited monthly reporting to senior officers such as the section 151 officer or Chief Executive, on the performance of savings plans and related teams;
 - e a lack of transparency in the way the savings plans are shown to have been delivered, for example, the extent to which failed schemes have been substituted by other recurrent and non-recurrent savings or unplanned income; and
 - f ineffective challenge by councillors and senior officers of financial and savings plan performance.

3 *Report of the Commission on Public Service Governance and Delivery, Welsh Government, January 2014.*

- 3.6 Councils should regularly report individual savings to identify over and under achievement and to ensure appropriate and timely action is taken to deliver agreed savings plans. If councils do not monitor specific areas of savings their ability to evaluate and scrutinise saving plans is compromised. As councils have to set more difficult and challenging savings targets, it is increasingly important that effective scrutiny and monitoring takes place on individual saving plans.
- 3.7 Grant Thornton found that in England in recent years, councillors have increasingly had to make difficult decisions about the delivery of services as has also been the case in Wales. In the process, councillors have developed a better understanding of the underlying financial conditions, helping to build mutual confidence with the management team and to extend the organisations' risk appetite. This is particularly apparent in the increasing levels of innovation, for example, with joint working between councils and other partners, and developing alternative delivery models for services.
- 3.8 There are still cases at individual councils in England and Wales where councillors have been resistant or slow to appreciate the need for a more radical outlook in regard to the sustainability of services. These councils are often focussing too much on reducing back office or on piecemeal efficiency measures to provide the savings they require. Many do not see a strong culture of financial efficiency as a priority, irrespective of the council's financial position.
- 3.9 In these cases, the onus is on officers to take a stronger role in helping councillors to understand the financial environment and the longer-term outlook. Councils in Wales will benefit greatly from developing training and development programmes for councillors delivered in a timely way to support them in their roles.
- 3.10 However, our analysis reveals that in some cases councillors and senior management may not be challenging enough during the budget setting process leading to higher than anticipated variances at year end. The need to improve scrutiny and challenge has been an area of significant development in England, and needs to be addressed urgently in Wales if councils are to meet the financial challenges they face.
- 3.11 Likewise, Grant Thornton's work shows that training and development for councillors in financial matters and on their role in governance remains a weak point at many English councils. This weakness is particularly acute in a year that has seen many new councillors created following local government elections. The frequency of reporting to councillors was a concern at some councils in England. In some cases, this was less than quarterly. This lack of regular reporting can be especially problematic where the Council faces significant financial pressures and consequently requires more regular reporting and review than has been standard in the past.

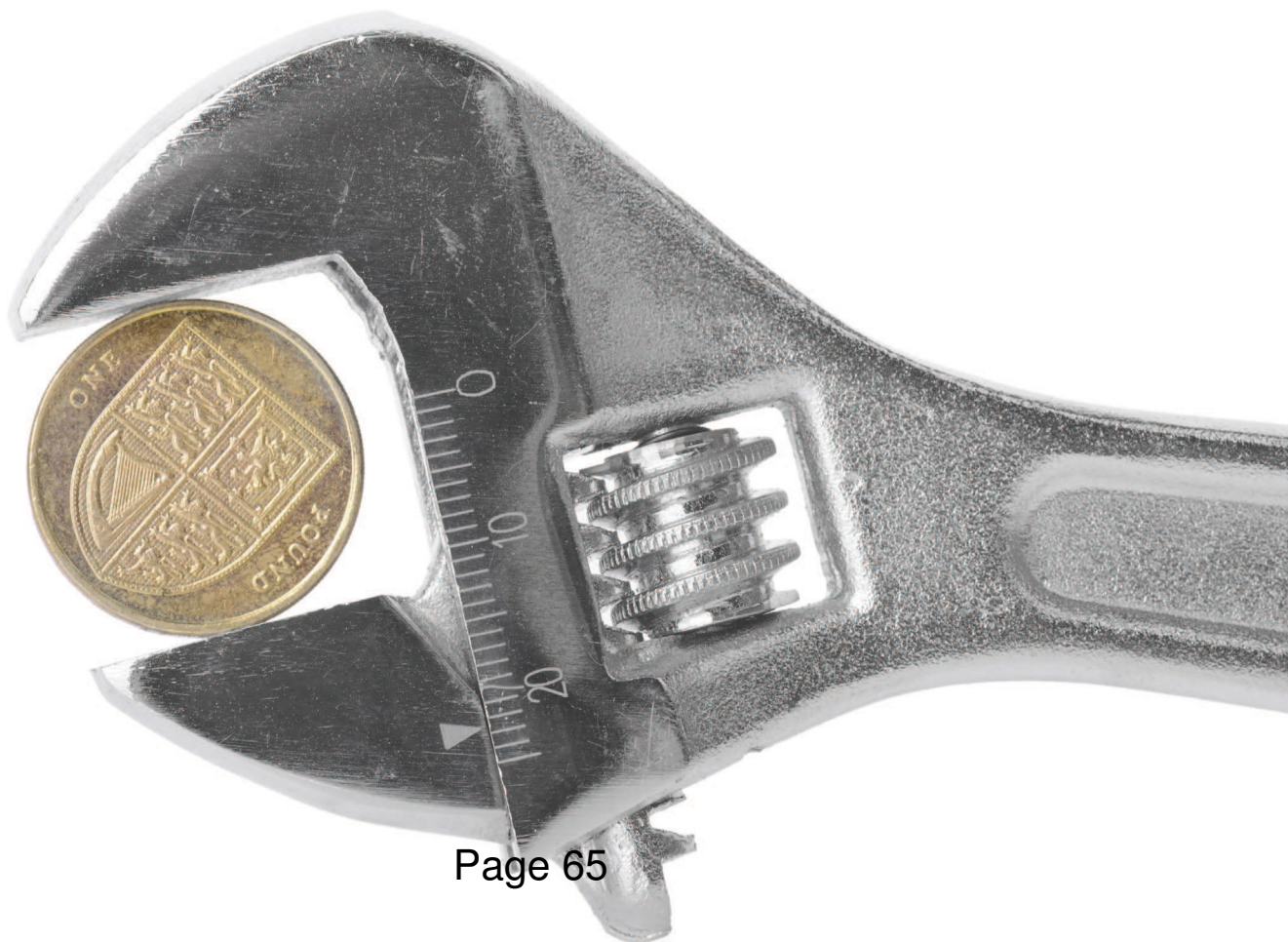
- 3.12 In England, the accuracy of forecasting budget outturn remains an area where further improvements are required. Too often, there are significant variances between monthly or quarterly reports, and frequent amendments to forecast outturn stemming from weaknesses in the systems for managing and reconciling budget and savings plans performance. Financial information provided to councillors, where the underlying performance issues are not adequately drawn out, remains a significant barrier to effective councillor engagement and robust scrutiny of delivery.
- 3.13 Our review found that many councils in Wales do not have a strong track-record of delivering savings plans. The governance risks we identified are primarily associated with the lack of formal monitoring of the delivery of individual savings targets against planned performance by councillors, and the resulting lack of challenge and/or holding of responsible senior officers to account.
- 3.14 In England, in 2011-12 and 2012-13, when many councils were starting to deliver large-scale savings, we saw an increase in governance risks related to savings plan delivery. This was because in preceding years, savings were usually small scale and delivery could be adequately monitored through the budget. The impact of a failure to deliver savings did not therefore pose a strategic risk to council operations and the light touch scrutiny arrangements were adequate for the council's needs. However, as the scale of savings increased together with the associated strategic risks, governance arrangements were slow to be adapted. Hence, resulting in councillors received poor quality or incomplete information on progress in delivering agreed savings plans - which were now becoming of critical importance to future financial resilience.
- 3.15 We found that a number of Welsh councils are still not reporting savings plan progress separately and this approach undermines the ability of councillors to scrutinise and challenge delivery of in-year savings and whether they are on track. It also makes it difficult to clearly identify the distinction between recurrent savings delivered to plan, and short-term fixes – for example, from income windfalls – that will not be available in future years. This understanding is vital in being able to challenge the performance of officers, particularly where large-scale savings are required over a number of years.
- 3.16 One important recent development in England is the increasing use of an integrated balanced scorecard. The use of scorecards enables financial pressures to be viewed in the context of service performance, workforce and other operational aspects. English councils are increasingly moving away from the traditional approach of reviewing financial performance in isolation and this is an option for councils in Wales.

Area of good practice noted - Powys County Council

Powys County Council has taken proactive steps to strengthen their financial governance process by taking part in a peer review and identifying key areas of improvement. The Council has taken a collaborative approach, working with the Centre for Public Scrutiny (CfPS), Grant Thornton UK LLP and CIPFA Wales to enhance their financial governance processes.

Part 4

Councils are under significant stress and financial management arrangements that were once good enough will not remain fit for purpose in the face of increasing financial pressures



- 4.1 In this section of the report, we focus on councils use of performance measures and management of performance. For the purposes of our review, we have used the following as the key characteristics of good financial performance management and have reviewed current practice and performance against these.

Characteristics of good financial performance management

Key indicators of financial performance

- There is regular monitoring of key indicators of financial performance
- The council operates within a locally determined appropriate level of reserves and balances
- The general fund balance is maintained at or above the locally agreed minimum level
- Working capital is at or above a ratio set by the section 151 officer
- Levels of long-term borrowing are manageable and within prudential borrowing limits
- Targets have been set for future periods in respect of key indicators, such as reserve balances and prudential indicators
- There is a track record of spending to budget and proactively managing forecast overspends in-year
- There is a robust organisational approach and focus on absence management to improve productivity, reduce costs and enhance customer service

- 4.2 As we undertake further work on the financial resilience of councils we intend to develop a ‘traffic light’ reporting system covering financial and workforce performance and identify where further improvements are required. The traffic light approach is similar to that taken by Grant Thornton in England and enables useful comparisons to be made. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders. Our analysis of financial KPIs indicates that financial arrangements at many councils are under significant stress. Furthermore, the experience of funding reductions in England reported by Grant Thornton has seen arrangements that were once good enough no longer fit for purpose and requiring significant and rapid evolution to enable councils to deliver the savings they need to make.
- 4.3 The information used in our analysis is taken from each council’s statutory accounts. The analysis is based on an aggregate of KPIs relating to budget delivery, liquidity, borrowing, and reserve levels. Our analysis of councils’ performance on these measures shows that 15 of 22 councils have an improving risk position. Whilst there are no councils that are classed as being high risk with a declining position, there are four councils, which are facing increasing risk because performance against these measures is declining. Below we summarise the performance of Welsh councils against the three key financial performance indicators – budget delivery, liquidity and borrowing.

There is a high degree of risk for councils in delivering a balanced budget but the direction of travel indicates that budget performance is improving as improvements to financial planning and control take hold

- 4.4 This performance indicator looks at the Council’s history of under or overspends against revenue budgets, performance on the outturn of net revenue expenditure, which helps validate both the strength of planning arrangements and the effectiveness of financial control. A good track-record of delivering to budget is a strong indicator of whether future financial plans, including large savings, can be delivered.
- 4.5 Our analysis is determined by councils’ budget performance and whether there have been significant revenue budget overspends and consistent and/or substantial budget deficits. These often relate to demand led services such as adult and children’s social care. These services will remain a key risk area over the coming years as grant funding continues to reduce but demand remains steady, even increasing in some areas. Councils that continue to deliver revenue budget overspends in demand led services such as these are likely to face financial difficulties in the future. We consider councils to be performing well when they have delivered consistent underspends against their revenue budget or where they have minimised net budget deficit (or achieved a surplus) and delivered a favourable net out-turn position.

4.6 Grant Thornton reported that the experience in England shows that a good track-record of delivering to budget is a strong indicator of whether future financial plans, including large-scale savings, can be delivered. A significant minority of English councils (14 per cent) struggled to deliver their budget in 2013-14. The most common risk was a significant revenue budget overspend. This overspending often related to demand-led services such as adult or children's social care. Persistent under-budgeting in these services is a danger sign for future financial resilience. An authority with weaknesses in this area which has not made sufficient progress in transforming its services is likely to face significant financial difficulties in the immediate future. Our analysis for Welsh councils found that over a third (36 per cent) of councils have historically experienced some difficulties in delivering a balanced budget but the direction of travel indicates that budget performance is improving across all councils.

It is evident that there is a high degree of variation in the liquidity ratios of Welsh councils at a time when cash-flow management is becoming increasingly important for councils

- 4.7 The 'current ratio' of assets (assets that are readily convertible to cash) to liabilities (short-term liabilities that require prompt payment) gives an indication of liquidity within councils. The risk of running out of cash has traditionally been less acute for councils, compared to the NHS or private sector, because of the security of grant income receipts and the low-value, high volume nature of local taxation. However, the profile of council funding is changing from the traditional model with reduced reliance on grant funding and an increased reliance on income generation, increased financial risk from borrowing and cash investments. Because of these changes, the risk of running out of cash increases and robust cash flow management becomes increasingly more important to make sure that costs can be covered and employee salaries paid on time.
- 4.8 From our analysis, it is evident that there is a high degree of variation in the liquidity ratios of Welsh councils. Our review classed 55 per cent of councils as at low or low-to-medium risk and 45 per cent of councils as having an increasing level of risk. Overall, the direction of travel shows that in 2013-14, 14 of the 22 Welsh councils have reduced levels of liquidity in comparison to 2012-13, and only eight councils have seen improving liquidity. The reasons for this reduced level of liquidity include increased use of short-term borrowing to meet the council's working capital requirements and declining levels of short-term bank deposits, with low interest levels likely to be the cause for this.

Borrowing levels are not currently an area of major concern for the majority of councils in Wales and the general level of financial risk is low

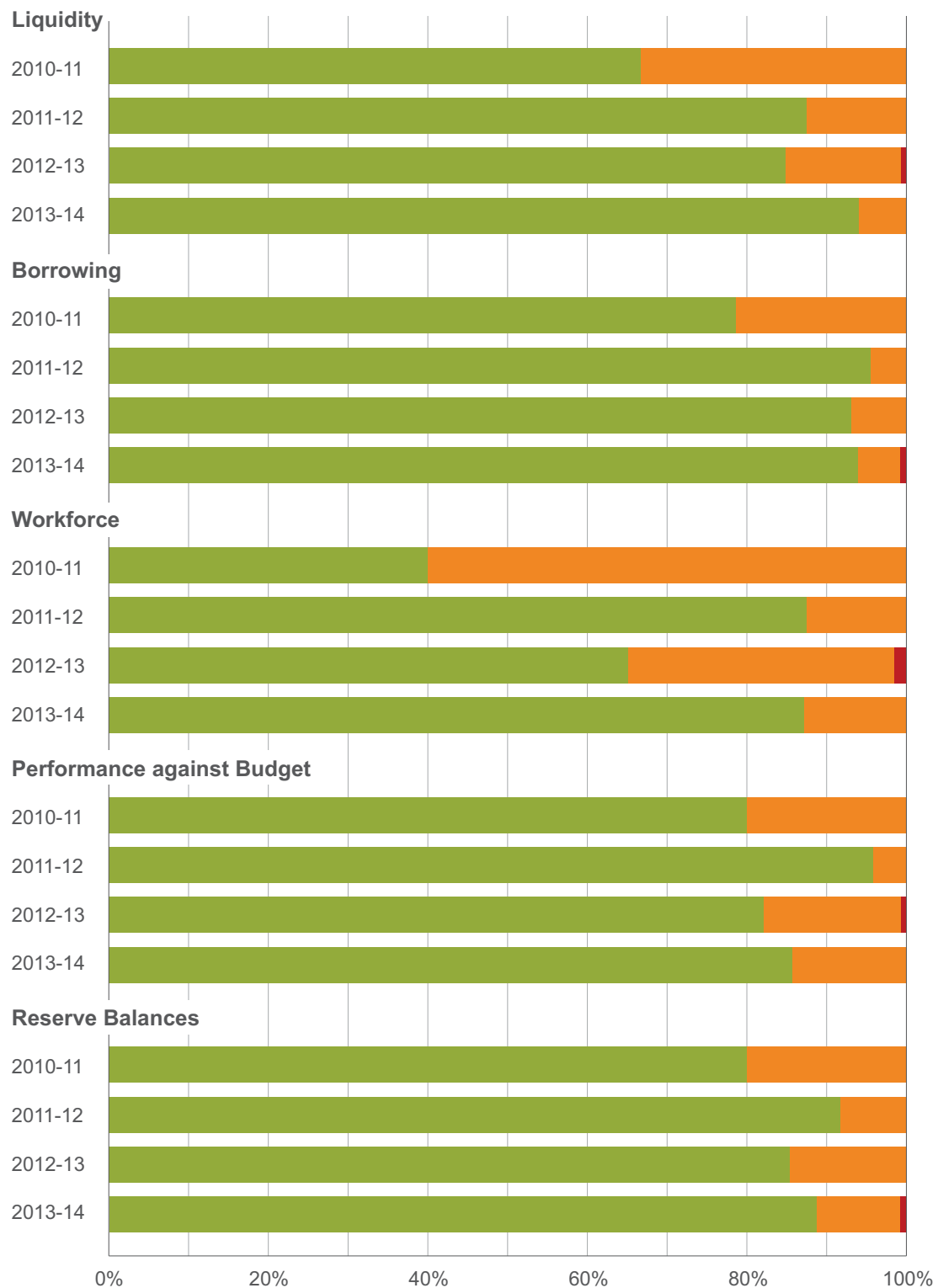
- 4.9 A low gearing ratio indicates that a council is financially stable and can generally borrow more freely as it will be better placed to pay the interest than those with higher ratios. Gearing is therefore a useful measure of corporate financial health as it allows a comparison between council funds and borrowed 'debt'.
- 4.10 We have calculated the gearing position for each council and identified them as either having an improving gearing position, where the levels of borrowing and debt have remained stable or fallen, or a deteriorating gearing position, where the level of borrowing and debt is increasing. Based on this analysis, 10 councils have an improving gearing position and 12 councils a declining gearing position. The range of gearing percentages identified in councils in Wales varied from 14 per cent as the lowest to 32 per cent as the highest.
- 4.11 Grant Thornton's work in England found only a handful of councils where borrowing presented a risk to financial resilience, particularly with regard to a council's ability to service debt. The general level of risk was further mitigated by the fact that the majority of borrowing was from low risk lenders such as the Public Works Loan Board (PWLB). Very few councils were significantly out of step with their respective peer groups which was the primary means used to assess the level of risk for English Councils. As with liquidity, the increase in sophistication in Treasury management policies and the use of professional advisors is often reducing the risk for local authorities.

The equivalent English Key Performance Indicator ratings, tracked over time show the positive impact that improving financial planning, governance and control arrangements can have on financial outcomes, despite significant financial challenges

- 4.12 **Figure 2** summarises the findings of Grant Thornton's review work of financial resilience of councils in England since 2010-11 and demonstrates a trend of improvement that reflects the positive evolution in financial management arrangements over the past four years. This development is consistent with the improving trajectory we have seen with the strength of financial planning, governance and control arrangements. We plan to use a similar risk rating analysis to that used by Grant Thornton in future reports on the financial resilience of councils in Wales.

Figure 2 – Summary of Grant Thornton's analysis of English councils financial management performance 2010-11 to 2013-14

English councils are continuing to manage the financial risks they face



Source: *Rising to the challenge - The evolution of local government*, Grant Thornton, November 2014

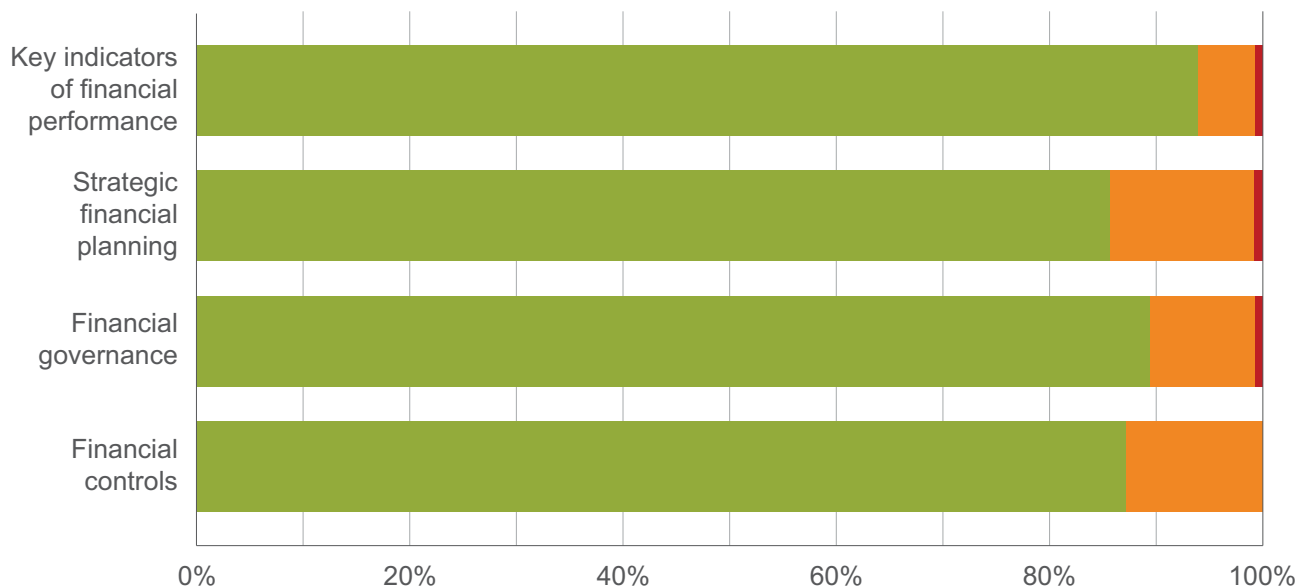
Part 5

The experience of English councils shows that it is possible to tackle significant reductions in funding but to be successful requires a step change in strategic and operational financial planning



- 5.1 Grant Thornton’s work in England found a trend of improvement in councils that reflects the positive evolution in financial management arrangements over the past four years. This development is consistent with the improving trajectory we have seen with financial planning, governance and control arrangements.
- 5.2 While some English councils are facing a financial tipping point, the positive lesson for Welsh councils is that the majority continue to deliver a sustainable financial position and are likely to do so as long as they can continue to develop and deliver effective responses to changing conditions. However, in most cases in England this has required a fundamental re-think about what services can be delivered, to whom and what levels of service are affordable. This in turn has required the development of highly sophisticated financial management arrangements that were not imagined four years ago.
- 5.3 **Figure 3** shows that most councils in England are managing the financial challenges they face and the current level of financial risk is relatively low.

Figure 3 – Summary of Grant Thornton Financial Risk Indicators for English Councils 2013-14
 Most councils in England are managing the financial challenges they face and the current level of financial risk is relatively low



Source: *Rising to the challenge - The evolution of local government*, Grant Thornton, November 2014

- 5.4 Grant Thornton found that:
- a Strategic financial planning standards in England are also improving. This is a strong indication of significant evolution in planning processes, partly driven by necessity. Many councils still need to increase the range of their forward planning, ensure that planned outcomes are achievable and change focus from efficiency savings towards service transformation and income generation.
 - b Standards of financial governance in England continue to strengthen, particularly in the quality and access to information presented to councillors. While major weaknesses in governance are relatively rare, they tend to have serious and wide ranging financial consequences. Governance of key partnerships and group structures presents a risk for some councils.
 - c Financial control remains one of the themes with the highest concentration of issues in England, often concerning the delivery of savings plans. However, most councils continue to perform adequately and there has again been a trend of gradual improvement in financial control systems in the last few years.
- 5.5 Grant Thornton's review in England concluded that despite the challenges councils face in each of these three areas, the current level of financial risk is relatively low at the majority of councils.

The headline messages from the 2013-14 review of councils in England draw some useful parallels with the experience of councils in Wales

- 5.6 Most councils in England continue to rise to the challenge posed by government funding reductions, supported by an evolution in financial management arrangements over the past four years. Those who have struggled to establish effective financial arrangements to date are those most likely to face a tipping point. The challenges are set to increase as spending reductions continue over the next few years, and councils must continue to adapt. Those that do not transform their services face a financial tipping point in 2016-17.
- 5.7 Grant Thornton's research also found an increasing confidence that the majority of councils in England are finding ways to overcome the financial challenges they face, particularly transforming the way local services are delivered. Grant Thornton's review of councils in England concludes that inevitably, this continues to present councillors with some difficult decisions and has ultimately led to reduced service provision in some areas.
- 5.8 Proportionally, single tier and county councils face a greater challenge than districts, partly due to the former's responsibility for demand led services such as social care, which continue to present a particularly acute financial risk. However, many district councils have delivered significant savings and are often leading the development of new models of delivery including shared services and joint management arrangements.

- 5.9 The number of English councils with critical financial issues remains low, in comparison to the NHS in England, for example. What stands out is how councils have gradually improved their financial management arrangements, maintaining or even improving their financial performance, in the face of ever-increasing challenges. The same cannot be said of NHS bodies in England.
- 5.10 Most English councils have weaknesses or risks in their arrangements of one kind or another that could affect their ability to deliver financial plans in the medium term. However, our findings suggest that over the past four years risks can be mitigated and service performance maintained. Indeed, many councils are confidently predicting continued financial resilience in their medium term financial strategy. This is a major achievement and reflects an evolution in financial management that would have been difficult to envisage in 2010.
- 5.11 However, councils remain concerned about the funding structure for local government, and whether it allocates funding fairly in relation to local geographic, demographic and economic conditions. Reductions to grant funding disproportionately affect those councils where council tax provides a lower proportion of total income. Those councils who collect less income from council tax are often those with high levels of deprivation.
- 5.12 For single tier councils and counties, the 'graph of doom' scenarios around demand-driven services (such as adult social care) remain a key challenge. However, new ways of delivering services are now emerging to alleviate some of these risks. We have seen significant change in the culture of councils – financial responsibility has started to permeate throughout the whole management structure. A strong culture of continual improvement, efficiency and financial control, aligned with the council's medium term strategy, will become a necessity over the next few years. There is significant work to be done here, particularly in regard to engaging front line specialists fully within the services. This should be an important area of focus for councils.

Appendices

Appendix 1 - Methodology

Appendix 2 - Selected case studies
from England

Appendix 3 - The differences in the way
local government is funded
in Wales and England



Appendix 1 – Methodology

Review of literature, data and statistics

We have reviewed a wide range of documents and media, including:

- Welsh Government and Department of Communities and Local Government policy and guidance documents;
- reports and briefings from the Welsh Local Government Association and Local Government Association in England; and
- relevant research and guidance from CIPFA.

Local authority fieldwork

We visited all 22 local authorities in Wales, between June 2014 and November 2014. During the visits, we interviewed a range local authority staff, elected members, and produced local reports for each council summarising our key findings on each authority's financial resilience.

Appendix 2 – Selected case studies from England

These good practice case studies are taken from Grant Thornton’s financial assessment work in England and have been included in this report as good practice examples for councils in Wales to consider.

Sheffield City Council: outcome-based financial planning

Sheffield introduced outcome-based financial planning when developing its 2013-14 budgets. This supported the new strategic outcome plan for the city, which has a 12-year horizon (2013 to 2025). The plan:

- sets the strategic direction for delivering the outcomes over this period
- provides the framework for decisions about where to allocate resources
- defines the performance measures to help track progress towards delivery.

The Council introduced a strategic outcomes board to oversee the development and delivery of the plan and associated governance arrangements, with directors accountable to the board for realising the benefits of the plan. The business model for delivery against the strategic outcome plan is built around:

- outcome-led investment, to achieve the outcomes for the city and to make a difference to Sheffield and its people
- outcome-led commissioning of projects that will contribute directly to achieving a step change to the outcomes for local people and businesses. This approach has improved long-term decision making, prioritised the use of resources, and identified where new sources of funding or income need to be pursued.

The Council is using a robust and transparent lessons learned process when reviewing the first year of outcome-based financial planning, to ensure this new approach becomes fully embedded across the organisation.

London Borough of Barnet: commissioning focused delivery model

The Council is at the forefront of the move by local government bodies to a more commissioning-focused model of governance and service provision. From April 2013, the Council moved to its new commissioning council structure. This includes an assurance group responsible for providing independent oversight to the strategic commissioning board and to members, so that the Council’s decision making is effective and appropriate risk management arrangements are in place and being used effectively by the Council’s lead commissioners and its delivery units. While the effectiveness of the new arrangements will require testing over time, initial indications from officers show they are working well and are helping to focus the Council’s senior team on how resources can best be used in a joined-up way across all services rather than a silo based approach.

Solihull Metropolitan Borough Council: aligning our resources to our priorities

Decision making is based on clear business cases for investment and lean reviews provide detailed analysis for cost reduction initiatives. The main reporting vehicle is Aligning our Resources to our Priorities (ARTOP). ARTOP meets monthly, is chaired by the director of resources, and its role is to monitor progress against the delivery of all of the savings in the current three year medium-term financial strategy (MTFS) 2013-14 to 2015-16. ARTOP is a sub group of the corporate leadership team (CLT) and reports the outcomes of each of its meetings to CLT as part of a monthly financial report. Savings are identified three years in advance, and for the current financial year 85 per cent of all savings have been delivered, with progress well under way for the two subsequent years.

Gloucestershire County Council: monitoring system linked to support services

The Council uses Verto, a project management package, to record and monitor the delivery of individual savings plans that make up the total 'Meeting the Challenge' savings programme for the Council. This system facilitates accountability, ownership and supports delivery through input from a wide cross section of the Council. Specifically, each savings programme goes through a number of gateways that ensure plans are robust and deliverable. To facilitate deliverability, each savings plan uses Verto to identify and secure the support services it needs to succeed. The support services include finance, needs analysis, HR, risk and asset management colleagues ensuring corporate ownership.

Wigan Metropolitan Borough Council: use of reserves to support transformation

At Wigan Council, early delivery of the 2013-14 savings plans has allowed funds to be released for the creation of a number of new reserves which will offset some of the risks around the delivery of the Council's transformation programme. The opportunity has also been taken to re-prioritise and re-package a number of existing reserves to assist in the delivery of the transformation agenda. Wigan consider the key to its success in delivering savings to be close monitoring and regular progress reporting, and building required efficiencies to be built into base budgets, and reviews of specific service area budgets, to maintain provision of high-quality, responsive and cost-effective service.

Surrey County Council: five year budgets

The Council has not completed stand-alone annual budgets for a number of years, but produces five year budgets from which annual budgets are set. This means future years' budgets are more detailed, reliable, and allow changes between years to be more readily identified (i.e. capital projects spanning a number of years). This results in greater transparency, efficiency and more achievable in-year budgets. It allows senior managers to plan longer-term with a greater degree of certainty. As part of the budget setting process the Council considers a number of scenarios and applies the most suitable. It completes a number of draft budgets throughout financial planning cycle, and engages with the business and voluntary sector, communities, trades unions, all members, and residents at each stage.

Elected members and senior managers are supported in their strategic financial management by revenue and capital budget monitoring reported in month, a quarterly 'hard closure' of the accounts (including all the primary statements) and an early close and publication of the statement of accounts. This provides the base information and confidence in the Council's financial systems and financial management arrangements to be able to make long-term decisions.

Surrey County Council has also introduced regular all member seminars as part of the medium term financial planning process, to keep members informed and engaged in financial monitoring. The seminars are jointly led by the Director of Finance and the Chief Executive, and allow for detailed discussion of the main financial risks facing the Council in the medium term. As a result, the interested parties within the Council have a sound understanding of these risks – which at present mainly relate to the erosion of major sources of funding, delivery of the major change programmes and associated efficiencies, delivery of the waste infrastructure and changes to health commissioning.

Surrey is also progressing a cultural shift so that all budget holding managers have clear ownership of their financial responsibilities and understand how the wider financial environment impacts upon their service. All relevant managers are being trained to use the finance system in order to develop self-service reporting. The overarching aim of the project is proactive financial management and excellent financial decision making. As with any initiative requiring behavioural change, the Council is aware that the project will take time to embed and may be subject to challenge from some staff. The Council is mitigating this by regularly reviewing progress made and identifying actions for improvement. This has been partially achieved to date by implementing a phased roll-out of the dashboard to the directorates. Going forward the Council is considering widening the use of the financial dashboard to include capital monitoring and budget setting.

Surrey is aiming to make further improvements to financial understanding through its new network leadership groups. These groups involve senior managers and experts for each area of Council activity, who meet at least monthly to discuss corporate issues such as budget and performance monitoring, productivity and service improvement. Data is reviewed and 'deep-dives' are made into selected areas, with recommendations being made where appropriate.

St Helens Metropolitan Borough Council: fully integrated financial and service planning

At St Helens Metropolitan Borough Council (MBC), fully integrated financial and service planning together with joint financial and performance reporting help to ensure that it can concentrate resources on achieving priority outcomes. Departmental directors and the assistant chief executive for finance hold monthly meetings to discuss budgets, progress against key performance measures, issues relating to service delivery and actions required to address any identified concerns. The result is that clear, consolidated reports, covering both budget and service performance monitoring, are presented to cabinet on a monthly basis.

St Helens MBC also believes that gathering the views of local people and key stakeholders should be an integral part of the budget setting process. Through its budget consultation and budget simulator initiatives, the Council allows interested parties to advise on the most valued areas of its spend. The Council makes the budget consultation available annually, and publishes a summary report on its website. At the same time, work continues in the form of zero-based reviews of portfolio budgets, and reviews of specific service area budgets, to maintain provision of high-quality, responsive and cost-effective service.

Bexley, Stockport and Tewkesbury: back office cost reduction

Councils across England have developed initiatives to make savings in back office expenditure, without depleting resources. The London Borough of Bexley has reduced the number of physical offices used by Council staff and reported savings in annual running costs of £1 million at the start of 2014/15, rising to £1.5 million in future years, as a direct result of this process. In addition, the surplus capital receipts generated from the disposal of former office sites will also reduce the need for borrowing to fund the Council's capital programme.

At Stockport Metropolitan Borough Council, the roles of staff have changed to create greater efficiency, with roles becoming more generic to allow for greater flexibility in the back office.

Tewkesbury Borough Council has redeveloped their property and rationalised the space utilised by their own employees, allowing them to let out space to other entities, such as the county council's adult and children social care services, the police, the DWP, the fire service and the Citizens Advice Bureau, creating a 'public sector hub' to give local people a centralised location to access a range of services. The annual rent benefit to the Council is currently £160k with £235k expected in 2015/16.

London Borough of Sutton: integrated reporting

London Borough of Sutton has demonstrated how integrated reporting can improve members' understanding of the whole picture of delivery. Their Strategy & Resources Committee reviews the financial performance report with integrated KPIs including customer service and workforce information on a quarterly basis. Members therefore review service performance in the context of the financial envelope and the progress of the major change programmes, including savings delivery against targets. The balanced scorecard includes customer feedback and workforce KPIs in a summarised accessible format.

By developing a detailed MTFS with a planning horizon to March 2019, in line with their new Council Corporate Plan, London Borough of Sutton has also been able to identify savings requirements on a long-range basis and put mitigating planning arrangements in place to ensure that they are met. When the MTFS was revised in July 2014, it was determined that the projected funding gap over the period of the plan would be £38 million, due to cost pressures and significant forecast reductions to the RSG. By formulating this projection in advance, Sutton now have scope to develop and deliver efficiency plans phased over a significant period of time, easing the burden on staff and the impact on service users.

Bath and North East Somerset Council: zero-based budgeting

Bath and North East Somerset Council has moved towards zero-based budgeting to challenge the allocation of resources and focus on resourcing priority services. It reports progress with the budget to senior management and cabinet on a monthly basis. This enables the Council to act quickly in response to developing spending pressures. It also scrutinises performance of key savings plans closely. Detailed savings plans, broken down into specific activities and years, are built into medium-term service resource plans. These feed into the overall budget report and MTFS. Scrutiny panels, cabinet and the full council then scrutinise plans. A detailed monitor of progress is made against savings achieved by directorate.

London Borough of Haringey: top 100 approach

The London Borough of Haringey has reorganised their senior management structure. This has improved clarity of roles and responsibilities which include full accountability for budget setting, monitoring and achievement. A new strategic layer of assistant directors has been introduced whose accountabilities include managing and monitoring budgets in their areas and holding budget-holders to account for performance. In addition, a new corporate management group (top 100 managers) and a corporate leadership group (assistant directors) have been formed who work collaboratively to find solutions to strategic issues and who have been responsible for developing the Council's three-year savings and investment plans. It is important during times where budgets are tight to ensure that the whole council works together to achieve the required outcomes – the new structures and governance help to break down silos.

Appendix 3 – The differences in the way local government is funded in Wales and England

Most local government-related policies and responsibilities, from education to planning, or social services to housing, are devolved to the Welsh Government. The Welsh Government sets the national priorities, strategic context and overall level of funding for services. It is then the responsibility of the 22 councils in Wales to deliver these services on a local level within the national context. Approximately a third of the Welsh Government's budget is spent through local authorities reflecting the importance of local services.

In England, council funding is primarily administered by the Department for Communities and Local Government (DCLG). In Wales Schools funding goes through the RSG whilst in England the education funding comes from the Department for Education and is administered by the Educational Funding Agency.

In Wales and England, council income is derived from a range of sources, the key ones being RSG from Welsh Government; Council Tax; Non-Domestic (business) rates; and other income/grants.

Local government budget protection in Wales differs considerably from the situation in England, where local government experienced significantly deeper cuts – a reduction in revenue support from central government of around 9.8 per cent between 2010-11 and 2013-14. An important factor behind the difference is the degree of protection afforded to the NHS. In England, the UK government has sought to protect spending on health in real terms. In Wales, by contrast, revenue spending on health has been cut by about 5.5 per cent in real terms.

The Welsh Government originally produced an indicative settlement for 2014-15, which showed a small real-term reduction of one per cent compared to 2013-14. However, its subsequent budget includes more funding for the NHS and other priorities within its Programme for Government than set out in indicative budget plans and a larger-than-anticipated reduction for local authorities. Local government in Wales faced a nominal revenue reduction of 3.2 per cent for 2014-15 (five per cent in real terms); indicative budget proposals for 2015-16 show a further revenue reduction of over three per cent in real terms. Councils faced the challenging task of incorporating these unanticipated reductions into their medium-term financial plans; ongoing uncertainties about the level of funding available to deliver services means that councils cannot be sure about the level of savings they will need to make.

In addition, in Wales, the RSG is not ring fenced or hypothecated and councils are responsible for deciding how they spend their allocation on the services for which they are responsible. Councils in Wales are also still allocated specific grants, where this ring-fencing has been largely eliminated in England. Welsh councils and the WLGA are of the view that there should be a de-hypothecation of grants and these monies included as part of the revenue settlement. At the timing of settlement, the details of the allocations for a number of specific grants can still be subject to finalisation, creating further uncertainty for councils in its financial planning and budget setting.

The structure of local government in Wales is relatively consistent as all councils are set up on a single tier (unitary) structure – with a single body responsible for all local council services. In England, there are significant structural differences with the two tier system of County and District Councils, alongside single tier (unitary) councils of various types. This makes it very difficult to measure the relative cost efficiency of these differing configurations.

A key area of current debate in England is around the fact that cuts to government grants disproportionately affect less affluent areas, where council tax and business rates takings are a lower proportion of total income. This issue has a similar impact in Wales.

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AUDIT – 9TH SEPTEMBER 2015

SUBJECT: WAO REPORT – FINANCIAL POSITION ASSESSMENT, CAERPHILLY COUNTY BOROUGH COUNCIL

REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & S151 OFFICER

1. PURPOSE OF REPORT

- 1.1 To present the Audit Committee with a report produced by the Wales Audit Office (WAO) following a financial position assessment undertaken for Caerphilly CBC.

2. SUMMARY

- 2.1 During the period May to August 2014, the WAO examined Authorities' financial positions and how they are budgeting and delivering on required savings. This work considered whether Authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014/15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, the review also considered track records for the previous financial years 2011/12 to 2013/14.
- 2.2 The work focused on answering the following question: **Is the Council managing budget reductions effectively to ensure financial resilience?** The WAO report sets out conclusions on both track record and future prospects:-
- **Track record** – Whether the Council successfully identified, planned for, and delivered the savings required in the period 2011/12 to 2013/14; and, if there was a shortfall, how was this addressed?
 - **Future prospects** – Whether the Council has an effective corporate framework for financial planning, exercises effective financial management and control, has a robust framework for reviewing and challenging financial performance; and whether the Council has realistic plans to make the savings required for 2014/15 and is taking appropriate steps to deliver them.
- 2.3 The review analysed a range of data produced by Caerphilly CBC from published accounts, performance returns to the Welsh Government and the Local Government Data Unit. A review of Council reports was also undertaken and interviews were held with a small number of key staff.

3. LINKS TO STRATEGY

- 3.1 Strong financial management is a key component in supporting the Council to deliver its strategic plans and priorities.

4 THE REPORT

4.1 The WAO report is attached as Appendix 1 and provides full details of the review undertaken, the findings, conclusions and proposals for improvement. In summary, the headline conclusions arising from the review are the following:-

- The Council has good financial management arrangements in place and recognises that it needs to address some areas for improvement to help deliver its future savings plans.
- The Council has a good track record of operating within its budget and has developed a framework to monitor the delivery of its proposed savings in 2014/15.
- The Council's future plans and arrangements to deliver savings are adequate and improvements are currently being implemented.

4.2 These conclusions are a positive reflection of financial management within the Council but the WAO report does include two proposals for improvement:-

- The Council should ensure that its priorities and improvement objectives are explicitly taken into account when determining its savings plans.
- The Council should continue to develop a framework to formally monitor the delivery of savings and report to Members. This is becoming increasingly important as the Council faces more difficult savings requirements.

4.3 The proposals for improvement will be incorporated into ongoing budget monitoring arrangements and medium-term financial planning processes. Progress will be monitored through existing performance management reporting arrangements.

5. EQUALITIES IMPLICATIONS

5.1 This report is for information purposes so the Council's Equalities Impact Assessment (EqLA) process does not need to be applied.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

7. PERSONNEL IMPLICATIONS

7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATIONS

9.1 Members of the Audit Committee are asked to note the content of the report.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that Members of the Audit Committee are aware of the review work undertaken by the WAO and the resulting findings, conclusions and proposals for improvement.

11. STATUTORY POWER

- 11.1 Local Government Acts 1972 and 2003.

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Consultees: Nicole Scammell, Acting Director of Corporate Services & Section 151 Officer
Richard Harris, Internal Audit Manager

Appendices:-
Appendix 1 – WAO Report – Financial Position Assessment May 2015

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Financial Position Assessment

Caerphilly County Borough Council

Audit year: 2014-15

Issued: May 2015

Document reference: 214A2015

Status of report

This document has been prepared for the internal use of Caerphilly County Borough Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

The team who delivered the work was project managed by Non Jenkins and comprised Lynn Pamment, Sara-Jane Byrne and Osian Lloyd from PwC.

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Summary report

Background

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services, and for ensuring authorities' ability to continue to deliver services to meet statutory obligations and the needs of local communities. It will help authorities take the right decisions for the short, medium and long term. Good financial management:
 - is essential to good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
2. Managing for the long term is not about predicting the future; it is about preparing for it. Planning involves understanding future demand, assessing the impact of probable changes, reviewing the gaps between funding needs and possible income and developing appropriate savings strategies.
3. A Council's strategic priorities and its financial health should be the basis for deciding what is practicable. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning encourages an incremental and process-driven approach that is too inflexible in a period of rapid external change.
4. During the period May to August 2014, the Wales Audit Office examined authorities' financial position and how they are budgeting and delivering on required savings. This work considered whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that will enable them to continue to operate for the foreseeable future. The focus of the work was on the 2014-15 financial planning period. In order to inform views on the planning for and successful delivery of budgets, we also considered track record for the previous financial years 2011-12 to 2013-14.
5. The work focussed on answering the following question: **Is the Council managing budget reductions effectively to ensure financial resilience?** In this report we set out our conclusions on both track record and future prospects:
 - **Track record** – whether the Council successfully identified, planned for, and delivered the savings required in the period 2011-12 to 2013-14; and, if there was a shortfall, how was this addressed.

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- **Future prospects** – whether the Council has an effective corporate framework for financial planning, exercises effective financial management and control, has a robust framework for reviewing and challenging financial performance; and whether the Council has realistic plans to make the savings required for 2014-15 and is taking appropriate steps to deliver them.
6. We analysed a range of data produced by Caerphilly County Borough Council (the Council) from published accounts, performance returns to the Welsh Government and the Local Government Data Unit. We also completed a review of Council reports and interviewed a small number of key staff.

The Council has good financial management arrangements in place and recognises that it needs to address some areas for improvement to help deliver its future savings plans

7. In answer to our overall question: ‘Is the Council managing budget reductions effectively to ensure financial resilience?’ we concluded that: **the Council has good financial management arrangements in place and recognises that it needs to address some areas for improvement to help deliver its future savings plans.**
8. We came to this conclusion because we found that **the Council has a good track record of operating within its budget. Historically, savings were identified and achieved in the prior year and a framework has now been developed to monitor the delivery of the 2014-15 savings proposals.**
9. We also found that **the Council’s future plans and arrangements to deliver savings are adequate and improvements are currently being implemented.** Our detailed conclusions are set out in [Appendix 1](#) and are based on the extent to which the Council has put in place, and is operating, effective financial management and controls which are supporting it to secure a stable financial position.

The Council has a good track record of operating within its budget and has developed a framework to monitor the delivery of its proposed savings in 2014-15

10. The Council delivered a surplus on its budget in each year between 2011-12 and 2013-14. The Council takes a forward looking approach to identify its savings requirements allowing it to do so in a planned and measured way. Budgets have been set taking into account the level of savings already identified and achieved in prior years. As such, until 2014-15, there have been no unachieved savings to monitor.

This year, there have been a number of savings to be achieved during 2014-15, rather than being brought forward as a saving in advance from the preceding year. The Council is developing a framework to regularly monitor and report the delivery of savings. Financial targets have been allocated for each individual saving identified, along with a risk assessment based on the impact and likelihood of success. Progress made against the savings targets is monitored and reported to Members together with the regular budget monitoring reports.

11. The Council has historically determined that it will hold General Funds of approximately £10 million in reserve. In the final accounts for 2013-14, the general fund balance was £16 million as at 31 March 2014 and total usable reserves were £97 million. The Council therefore has a healthy reserves position. It has not needed to use its General Reserves to offset service overspends.

The Council's future plans and arrangements to deliver savings are adequate and improvements are currently being implemented

12. The Council has a corporate framework in place for financial planning, and demonstrates adequate financial management and control. However, the Council's priorities and improvement objectives are not explicitly considered in determining the Council's savings. The Council recognises that the level of savings required is such that there will need to be more effective prioritisation of services going forward. This prioritisation needs to take into account the priorities and improvement objectives agreed in the Council's Corporate Plan.
13. Whilst the Council has a good track record of operating within its budget, the Council recognises that its current approach to delivering savings may no longer be sustainable. The Council has estimated that it will need to achieve savings of £39 million over the next three years.
14. The Council has recently set out its draft savings proposals for 2015-16, following a series of special scrutiny committee meetings to consider the proposals. As part of these, the Council is proposing to maximise the use of any 'excess' General Fund balances for Capital/Invest-to-Save Schemes rather than to use its reserves to offset savings requirements in the short term.
15. The Council is developing a new framework to monitor savings as the level of savings that can be achieved in advance is reduced. Separate monitoring of the performance of savings plans, particularly where recurrent savings are required, will become increasingly important. This will also enable the Council to evaluate and learn from those savings plans that were met in full and those that were not.
16. 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 that 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.

Proposals for improvement

P1 The Council should ensure that its priorities and improvement objectives are explicitly taken into account when determining its savings plans.

P2 The Council should continue to develop the framework to formally monitor the delivery of savings and report to Members. This is becoming increasingly important as the Council faces more difficult savings requirements.

Appendix 1

Summary of the results of our review

Key line of enquiry	Fieldwork Findings	Conclusions
Track Record 2011-12 to 2013-14	<p>For 2011-12, a budget shortfall of £9.148 million was identified. A total of £12.503 million in efficiencies were achieved in preparation for the 2011-12 budget which provided a surplus in the year of £3.355 million.</p> <p>For 2012-13, a budget shortfall of £3.410 million m was identified, supplemented by savings of £3.355 million carried forward from 2011-12. A £2 million surplus was achieved this year.</p> <p>For 2013-14, a budget shortfall of £5.091 million was identified. Savings of £5.213 million had already been achieved and approved in readiness for the financial year 2013-14. The Council delivered a £4.446 million surplus on its 2013-14 budget.</p> <p>Budgets are set taking into account the level of savings already identified and achieved in prior years. As such, there have been no unachieved savings to monitor.</p>	<p>The Council has a good track record in identifying and achieving revenue budget savings in the preceding year and operating within its budget.</p>

Key line of enquiry	Fieldwork Findings	Conclusions
<p>Strategic Financial Planning</p>	<p>Our review identified 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. Member seminars are held to discuss the budget proposals and seminars have also been held on significant or sensitive areas, such as the review of all discretionary services in order to achieve the required savings following the recent announcements from the Welsh Government on further reductions in funding.</p> <p>The Council has published a Corporate Plan, most recently covering the period for 2013-2017. The Plan details the links between the high level community priorities within the Caerphilly Single Integrated Plan and the Council's own contribution towards those community improvements and its shorter-term Improvement Objectives. The Council publishes an annual performance report to monitor how it is delivering the corporate priorities and improvement objectives it set out. However, we note that the Council's priorities and improvement objectives are not explicitly considered in determining the Council's savings. Officers told us that they guide members on priorities and the need to protect certain services in, for example, budget papers set out the Council's improvement themes, but no formal process exists to ensure corporate priorities are taken into account. Improvement objectives are, however, explicitly referenced in the example service plans obtained during the review.</p> <p>The Council has a Medium Term Financial Plan (MTFP) which is seen as an overarching plan for the financial performance of the Council for the future. The MTFP is measured through regular updates to Cabinet as well as quarterly budget monitoring reports to relevant Scrutiny Committees and the annual budget monitoring report. However, there are no explicit key performance indicators to monitor the MTFP and associated performance.</p> <p>The Council's prudent approach to managing its finances allows it 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.</p>	<p>The Council's corporate framework for strategic financial planning is adequate but some improvements could be made.</p>

Key line of enquiry	Fieldwork Findings	Conclusions
<p>Financial Management and Control</p>	<p>The Council's constitution, updated in January 2014, contains a section on Council Procedure Rules, which includes sections called budget and policy framework procedure rules and financial procedure rules – financial regulations. These sections provide the control framework for managing the Council's financial affairs, enabling financial management within a system of delegated responsibility and accountability.</p> <p>Budget reporting takes place at various levels within the Council. There are regular updates of the MTFP 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.</p> <p>The Council has historically determined that it will hold General Funds of circa £10 million in reserve. Final accounts for 2013-14 showed that the general fund balance was £16 million as at 31 March 2014 and total usable reserves were £97 million. The Council therefore has a healthy reserves position. It has not needed to use its General Reserves to offset service overspends. As part of its 2015-16 budget savings proposals, the Council is proposing to maximise the impact of the use of any 'excess' General Fund balances by utilising them for Capital/Invest-to-Save Schemes, rather than using them in the short-term to reduce the level of savings required.</p> <p>The Council has a track record of under spending to budget and proactively managing forecast overspends in-year. Going forward, the deliverability of savings and how they are achieved will be reported regularly to scrutiny committees on an exception basis.</p> <p>There is no overarching policy on income generation/charging and no formal register of charges. Each department within the Council has reviewed its fees and charges to identify opportunities to increase, for example, country-park charges and non-residential social services. As a result, income from charges going forward is not expected to deliver more than small inflationary increases that service users can tolerate.</p>	<p>The Council's financial management and control arrangements are adequate. The Council acknowledges that further improvements could be made.</p>

Key line of enquiry	Fieldwork Findings	Conclusions
Financial Governance	Whilst the Council has a good a track record of operating within its budget, the current approach may no longer be sustainable given the significant level of savings the Council has to achieve over the next three years following the recent local government settlement announcement. The Council is reviewing which services will continue to be delivered. It is developing a new framework to set and monitor savings as the level of savings that can be achieved in advance is reduced, requiring the Council to adopt a new approach to how it can operate within its funding allocation.	The Council's financial management and control arrangements are adequate. The Council acknowledges that further improvements could be made.

Key line of enquiry	Fieldwork Findings	Conclusions
<p>Current Savings Plans 2014-15</p>	<p>The Council identified, as part of its revenue budget for 2014-15, a budget shortfall for the year of £15.162 million.</p> <p>The budget for 2014-15 has taken into account the Local Government Settlement for the year, pay awards, Council Tax rises, the implementation of single status, the impact of demographic changes and demands for services. In regards to inflation assumptions, we note that the MTFP includes a general cost inflation rate of 1.5 per cent, net of 1.5 per cent fees and charges increases. This is made with reference to CPI and RPI in full. Directorates are expected to take account of the impact relating to the difference between the actual general cost inflation rate and the net rate in their budget proposals through increasing fees and charges or identifying other efficiencies.</p> <p>Since the Local Government Settlement Announcements in October 2013, followed more recently by the announcement in June 2014, a significant amount of work has been undertaken within each Directorate to identify further savings than originally anticipated for 2014-15 to 2016-17. The work to identify savings has been led by the Corporate Management Team in consultation with appropriate Cabinet Members, working with the Head of Service with support from colleagues in Finance. Service Managers have also been involved to ensure that all options are identified for consideration by Members.</p> <p>The Corporate Management Team has, in the light of the extensive work undertaken and the feedback from the consultation process, identified individual proposals for 2014-15, demonstrating that the Council is prioritising the savings identified. Financial targets have been associated with each individual saving identified along with a risk assessment based on impact and likelihood for each project or scheme. Progress made against the savings targets has recently been reported and monitored through the budget monitoring reports. Funds of £800,000 have been set aside in respect of proposals where savings may be delivered part way through 2014-15 rather than during the year in full. Funds will be released to service areas on a case-by-case basis following a review of need.</p>	<p>The Council's financial management and control arrangements are adequate. The Council acknowledges that further improvements could be made.</p>

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AUDIT COMMITTEE – 9TH SEPTEMBER 2015

SUBJECT: INTERNAL AUDIT SERVICES: ANNUAL OUTTURN REPORT 2014/2015

REPORT BY: INTERNAL AUDIT MANAGER

1. PURPOSE OF REPORT

1.1 To inform Members of the work carried out by Internal Audit Services during 2014/2015.

2. SUMMARY

2.1 It is a requirement both of the Public Sector Internal Audit Standards and the Council's own Financial Regulations that an annual audit activity plan is prepared to ensure that there is an effective and efficient use of audit resources. In addition to producing the audit plan, it is also a requirement that the Internal Audit Manager produces an annual report on work carried out by Internal Audit Services during the financial year. This report summarises that activity.

3. LINKS TO STRATEGY

3.1 To ensure that the Council's strategies are delivered in a proper and transparent way.

4. THE REPORT

4.1 The Annual Plan for 2014/2015 was prepared on a risk-based approach and is structured around four key principles:

Systems System audits would be prioritised and there would be co-operation with the Council's External Auditors to satisfy them of our coverage in this area.

Establishments There would be a medium term strategy to ensure adequate coverage in this area in order that all establishments receive a periodic audit visit. (A schedule of actual against planned visits is shown as Appendix A).

Regularity The safeguarding of assets, income and control of expenditure would remain a priority.

Advisory A consultative approach to be encouraged in order to promote an open and transparent culture to include the sharing of best practice and early input from Internal Audit in developing processes and procedures.

4.2 At the time of preparing the 2014/2015 Annual Audit Plan the section's actual establishment was 9.02 fte (full time equivalent) staff, which equates to 22401 man days. Of this total 1698 days were allocated to specific audits, the remainder, 703 days, were classified as overheads to cover holidays, sickness, training, management issues and other non-directly allocated time.

4.3 The table below shows in summary form an overview of the allocation of audit staff time for 2014/2015 against the original plan. (One of the main performance measures currently adopted by Internal Audit is a comparison of how time is actually spent compared to the audit annual plan. This requires all staff to complete timesheets and allocate time spent against the appropriate client).

DIRECTORATE	PLANNED COVERAGE	ACTUAL COVERAGE
	Days	Days
Education, Lifelong Learning	262	339
Social Services	145	58
Environment	231	285
Corporate Services	677	542
Corporate	303	235
Contingency	80	-
Total directly allocated	1698	1459
Total Overhead	703	768
Lost days*		174
Total Days	2401	2401

* One member of staff left during the year and the post was not filled. Staffing establishment reduced to 8.2 fte.

4.4 The above table shows how actual coverage has varied from that originally planned prior to the start of the year. As the service becomes more responsive to the needs of the organisation and is undertaking more consultative or thematic work the annual planning process is becoming more difficult to accurately predict what will be required in the future. The move away from the traditional financially focused audits will further complicate resource allocation and will inevitably lead to future audit plans being more generic in nature and thus more flexible to allow for new or emerging issues to be accommodated.

4.5 Due to the nature of internal auditing, performance monitoring and target setting have always been key drivers by which management can assess the effectiveness of the internal audit function. Resource planning, time recording and benchmarking have long been used by internal audit to direct and inform the audit process.

4.6 Performance measures are important for two reasons: -

4.6.1 They enable progress over a period of time to be monitored (given that historic data is available to establish a sound base).

4.6.2 They enable targets to be set for future improvement.

4.7 The main performance measures for Internal Audit for 2014/15 were as follows:

Sickness Absence
Productivity
Completion of audit plan
Costs remaining within budget

4.8 Sickness absence – the annual rate was 4.4% however when adjusted for the long term element in respect of one member of staff the underlying rate was 0.7%.

4.9 Draft reports to be issued to management within 10 working days following the completion of the audit fieldwork. Based on a sample analysis the actual was 19.5 days (12.9 days last year). This increase was mainly due to workload and timing issues within one area of the teams work and has since improved significantly.

- 4.10 The level of directly allocated time to be 71% of total time available. A level of 65% (70% last year) was achieved. This drop is felt to be the result of reducing staff numbers however it is still in line with the welsh average.
- 4.11 To issue all final reports within 5 days of management clearing the draft report. Based on a sample analysis an average of 2.8 days (3.8 days last year) was achieved.
- 4.12 Audit staff to be available from 8.30 to 5.00, Monday to Thursday, 8.30 to 4.30 Fridays. This target was achieved.
- 4.13 To draw up and have agreed an Annual Plan by the 31st March. The 2014/15 audit plan was agreed by the Audit Committee on 5th March.
- 4.14 To ensure costs are in line with budget. This was achieved.
- 4.15 In addition to the above, client questionnaires are sent out after every audit. Despite the fact that the response rate has fallen off considerably all those received back have been satisfied with the way the audit is conducted and the benefit derived from it.
- 4.16 **AUDIT WORK 2014/2015**
- 4.16.1 A proportion of internal audit work has required involvement in the development of new and existing systems and procedures. Whilst this work does not form part of the assurance work undertaken it is considered beneficial for early audit involvement to avoid future problems due to control weaknesses. All opportunities are taken to proactively promote good practice and to strengthen both existing and new control processes and as such resource and time is allocated to this advisory/ consultancy role.
- 4.16.2 Additionally, Internal Audit staff continue to provide advice and support to staff on Standing Orders for Contracts, Financial Regulations and financial best practice including tailored training or instruction as and when required.
- 4.16.3 The following is a summary of activities Internal Audit was involved in during the year: -
- 4.16.3.1 Audit resource continued to provide an internal audit review of Local Service Board and Regional Development Plan grants administered by the Authority for both internally run projects and for external projects. Audit staff time being recharged at cost to the grant funding body. Internal audit reviews of WG grants have also been performed in line with the Terms & Conditions of these grants.
- 4.16.3.2 Establishments in receipt of an audit visit included four comprehensive schools, fifteen primary schools, two leisure facilities and five social services establishments (see Appendix A).
- 4.16.3.3 Audit reviews (including follow-up audits) have been carried out across a wide variety of areas in order to gain an overall opinion on the effectiveness of the internal control system operating within the Council. A list showing a variety of the financial activities reviewed is shown in Appendix B.
- 4.16.3.4 Audit staff assisted Caerphilly Homes with the stocktaking at the Council's stores and assisted with the introduction of new procedures relating to van based stocks in anticipation of changes to operational working practices. Additionally staff have participated in a working party on the transition to single source supplier for housing maintenance.
- 4.16.3.5 112 contractors' final accounts were audited with a combined value of over £28m (Last year 102 accounts with a value of £16m).

- 4.16.3.6 Issues were resolved in respect of 152 cheques, which, for various reasons had been returned to the Council, 3 of which related to duplicate payments, the value of which was £765 (the previous year's total 262 and 1 duplicate totalling £240). This should be viewed against an estimated 6,800 issued cheques with an estimated value of approximately £5.2m.
- 4.16.3.7 Continuation of our participation in specialist practitioners groups dealing with topical audit issues and the development of a best practice approach. This is seen as an important ingredient in ensuring internal audit staff are aware of the wider issues affecting the delivery of an effective internal audit service.
- 4.16.3.8 There were 115 anonymous letters logged by Internal Audit which, where appropriate, were passed to the relevant departments for action (134 last year).

4.17 OUTCOMES

- 4.17.1 The regularity work carried out by Internal Audit Services is designed to assess overall compliance with management policies and procedures. This work is supplemented and complemented by system reviews to measure and recommend on the level and effectiveness of internal controls.
- 4.17.2 Internal audit reviews concentrate on the negative aspects and this can sometimes give a misleading picture of the financial control environment of an organisation. Whilst there may be, in an organisation as large as Caerphilly CBC, areas of concern in relation to the detailed financial administration there are also many examples of good practice.
- 4.17.3 During 2014/15 all appropriate audit reports were given an audit opinion on the adequacy of the systems reviewed, the controls in place, and compliance with those controls to provide an overview of the whole control environment and evidence to support the financial element of the Council's annual governance review process.
- 4.17.4 During the year there were 16 systems based audits which generated 32 opinions and there were 28 establishments audited. Of these, 43 opinions were found to be at least satisfactory. There were however 17 opinions which were identified as being less than satisfactory, details of which are as follows:
- | | |
|------------------|----|
| - Establishments | 4 |
| - Systems based | 13 |
- 4.17.5 In the majority of cases management and the auditees have accepted the recommendations made by Internal Audit. Recipients of audit reports (excl. establishments) are required to submit action plans to the internal audit section to ensure proposals have been actioned or are being adequately progressed. During the year 8 action plans relating to previous years audits were reviewed.
- 4.17.6 Those areas identified in 4.16.4 as not being satisfactory have been or are being dealt with via an ongoing audit process thus ensuring issues are resolved appropriately. None of the issues identified are considered to be material in the context of the whole authority and are not felt to be significant enough to warrant disclosure within the annual review of the Council's governance arrangements.
- 4.17.7 There have been no materially significant special investigations undertaken by Internal Audit during the year.

5. EQUALITIES IMPLICATIONS

- 5.1 This report is for information purposes only, therefore the Council's full equalities impact assessment process has not been applied.

6. FINANCIAL IMPLICATIONS

- 6.1 There are no direct financial implications arising from this report.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATION

- 8.1 Any comments received have been reflected in this report.

9. CONCLUSIONS

- 9.1 This report has been prepared as a review of Internal Audit activity during 2014/2015. It not only highlights the extent of our work but also the diversity.
- 9.2 No fundamental issues have come to light as a result of audits carried out on both the major financial systems and other financial and administrative systems and procedures. Where issues have been identified and brought to management's attention an action planning process is in place to drive through the necessary improvements. Overall it is considered that the Council continues to operate within a control environment that should minimise the risk of loss to the Authority.

10. RECOMMENDATIONS

- 10.1 Members are asked to note the contents of this annual review of the operation of Internal Audit Services.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 To ensure Members are aware of the level of internal audit coverage and the overall opinion derived from undertaking this work.

12. STATUTORY POWER

- 12.1 Local Government Act 2000.

Author: Mr R M Harris, Internal Audit Manager
Consultees: N Scammell, Acting Director of Corporate Services and Section 151 Officer
S Harris, Acting Head of Corporate Finance

Appendices:
Appendix A - Schedule of actual against planned establishment visits
Appendix B - Audit Coverage: Systems

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Caerphilly County Borough Council

INTERNAL AUDIT SERVICES

Schedule of planned visits 2014/2015

Those establishments in bold italics were visited and audited during the year.

Primary Schools

<i>Cwrt Rawlin Primary</i>	Cwmaber Junior	<i>Bedwas Infants</i>	<i>Gilfach Fargoed Primary</i>
<i>Libanus Primary</i>	<i>Ystrad Mynach Primary</i>	<i>Bryn Awel Primary</i>	<i>Hendre Infants</i>
<i>Greenhill Primary</i>	<i>Phillipstown Primary</i>	YG Cwm Derwen	Trinity Fields
Blackwood Primary	<i>Trinant Primary</i>	<i>Park Primary</i>	
<i>Plasyfelin Primary (Replaced with Aberbargoed Primary)</i>		<i>Glyngaer Primary (Replaced with Llanfabon Infants)</i>	
<i>Cefn Fforest Primary (Replaced with St James Primary)</i>			

Comprehensive Schools

YG Cwm Rhymini	St Cenydd Comprehensive
<i>Bedwas High School</i>	<i>Cwmcarn High School (Replaced with Newbridge Comprehensive)</i>
<i>Pontllanfraith Comprehensive</i>	<i>Rhymney Comprehensive</i>

Leisure Centres

Sue Noake Ystrad Mynach	<i>Newbridge</i>
Bedwas	New Tredegar
Cwmcarn	<i>Caerphilly</i>

Other

<i>Caerphilly Visitors Centre</i>	
Blackwood Miners	<i>The Winding House</i>

Social Services

<i>Beatrice Webb</i>	<i>Ty Iscoed</i>
Castle View	<i>Rhymney Day Centre</i>
<i>Caerphilly Day Centre</i>	Markham Resource Centre
Brooklands ATC	<i>Ystrad Mynach Day Centre</i>

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**CAERPHILLY COUNTY BOROUGH COUNCIL
INTERNAL AUDIT SERVICES
Sample of areas of coverage 2014/15**

Main Financial Systems

Payroll,
Cashiers,
Housing Benefits,
Creditors

Directorate Specific Systems

Passenger transport,
Building Cleaning,
Fleet Management,
Parks and outdoor facilities bookings,
Carbon levy scheme,
Local Authority Energy Finance scheme,
School Effectiveness Grant (SEG),

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AUDIT COMMITTEE – 9TH SEPTEMBER 2015

SUBJECT: AUDIT COMMITTEE FORWARD WORK PROGRAMME

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES & SECTION 151
OFFICER**

-
1. The attached report demonstrates the Audit Committee Forward Work Programme.
 2. Forward Work Programmes are essential to ensure that Audit Committee agendas reflect the strategic issues facing the Council and other priorities raised by Members, the public or stakeholders.
 3. The Audit Committee Forward Work Programme identifies reports that are due to be presented to the Committee until September 2016. The document is a working document and is regularly updated when additional reports are identified.
 4. The latest Audit Committee Forward Work Programme is attached at Appendix 1.

Author: C. Evans, Committee Services Officer, Ext. 4210

Appendices:

Appendix 1 Audit Committee Forward Work Programme

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FORWARD WORK PROGRAMME FOR AUDIT COMMITTEE

Deadline (12 Noon) Reports To Committee Services	Meeting Date	TOPIC	RESPONSIBILITY
23/11/15	09/12/15	Regulator Proposals for Improvement Progress Update Forward Work Programme <i>Register- Gifts and Hospitality (Information)</i>	Ros Roberts Nicole Scammell <i>Lynne Donovan</i>
22/02/16	09/03/16	Complaints Report (6 Monthly Basis) Regulation of Investigatory Powers Act 2000 Forward Work Programme <i>Register- Gifts and Hospitality (Information)</i>	Gail Williams Gail Williams Nicole Scammell <i>Lynne Donovan</i>
23/05/16	08/06/16	Forward Work Programme <i>Register – Gifts and Hospitality (Information)</i>	Nicole Scammell <i>Lynne Donovan</i>
22/08/16	07/09/16	Forward Work Programme Complaints Report (6 Monthly Basis) Regulation of Investigatory Powers Act 2000 <i>Register – Gifts and Hospitality (Information)</i>	Nicola Scammell Gail Williams Gail Williams <i>Lynne Donovan</i>

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Certificate of Compliance

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

Certificate

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

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

Respective responsibilities of the Council and the Auditor General

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

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

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

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

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

Scope of the Improvement Plan audit

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

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

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



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Leighton Andrews, Minister for Public Services

Non Jenkins, Manager

Martin Gibson, Performance Audit Lead



AUDIT – 9TH SEPTEMBER 2015

SUBJECT: OFFICERS DECLARATIONS OF GIFTS AND HOSPITALITY

REPORT BY: ACTING HEAD OF HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT

1. PURPOSE OF REPORT

1.1 Quarterly report to advise members of the Audit Committee of the Gifts and Hospitality declared by officers for the period April to June 2015.

2. SUMMARY

2.1 Attached as Appendix 1, is a list of Gifts and Hospitality received by officers of the Council for the 3 months 1 April to 30 June 2015.

3. LINKS TO STRATEGY

3.1 The Council acting through this Committee has an obligation to maintain high standards, probity and conduct throughout its workforce.

4 THE REPORT

4.1 Heads of Service provide data on a monthly basis to the Acting Head of Human Resources and Organisational Development for collation and monitoring purposes.

4.2 The Acting Head of Human Resources and Organisational Development will continue to monitor the returns and work with Heads of Service to improve their understanding and corporate compliance to the policy.

5. EQUALITIES IMPLICATIONS

5.1 None.

6. FINANCIAL IMPLICATIONS

6.1 None.

7. PERSONNEL IMPLICATIONS

7.1 The Acting Head of Human Resources and Organisational Development will continue to monitor the declarations to promote best practice and ensure compliance.

8. CONSULTATIONS

- 8.1 There are no consultations that have not been included in the report. The Improving Governance Programme Board and Corporate Management Team have been consulted on this report.

9. RECOMMENDATIONS

- 9.1 The Members of the Audit Committee are asked to note the information provided in Appendix 1.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure the Audit Committee have an oversight of the position in relation to officers Gifts and Hospitality.

11. STATUTORY POWER

- 11.1 Local Government Act 2000.

Author: Lynne Donovan, Acting Head of Human Resources and Organisational Development.- donovl@caerphilly.gov.uk
Consultees: Nicole Scammell, Director of Corporate Services and Section 151 Officer (Acting)
Gail Williams, Interim Head of Legal Services and Monitoring Officer
Colin Jones, Head of Property and Performance Management
Cllr Christine Forehead, Cabinet Member for Human Resources and Governance
Alessandra Veronese, Programme Manager Improving Governance Programme Board

Appendices:
Appendix 1 Declarations of Gifts and Hospitality

Declarations of Gifts and Hospitality – 1 April to 30 June 2015

Directorate	Service Area	Type of Declaration	Form Details Of Declaration i.e. name of person, nature of relationship, company, gift, hospitality, etc	Head of Service who signed the declaration	Outcome
Environment	Public Protection	Gift	Taxi driver gave lift to work.	Rob Hartshorn	Accepted. Tried to decline offer but insisted
Environment	Public Protection	Gift	Prize for winning school chef of the year award.	Rob Hartshorn	Accepted as it was a prize
Corporate Services	Housing	Gift	Thank you card and a box of Cadbury's Heroes. £5. Private tenant complaint.	Shaun Couzens	Accepted. No action necessary
Environment	Planning and Regeneration	Gift	Worked as Chaplain to Councillor during his term of Mayor 2014/2015 and received a £20 WHS gift token as a letter of thanks.	Pauline Elliott	Accepted gift and approved by Head of Service

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AUDIT COMMITTEE – 11TH SEPTEMBER 2015

SUBJECT: ANNUAL REVIEW OF COMPLAINTS RECEIVED UNDER THE COUNCIL'S CORPORATE COMPLAINTS POLICY 1ST APRIL 2014 TO 31ST MARCH 2015

REPORT BY: INTERIM HEAD OF LEGAL SERVICES AND MONITORING OFFICER

1. PURPOSE OF REPORT

- 1.1 To provide Members with an overview of the corporate complaints received for the year 1st April 2014 to 31st March 2015.
- 1.2 To advise Members whether any trends were identified during this period and if so the action to be taken.
- 1.3 To update Members on the use during this period of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

2. SUMMARY

- 2.1 To provide members with a review of the corporate complaints received during the year 1st April 2014 to 31st March 2015.
- 2.2 Complaints are one of the ways in which, the Council gains information on the level of satisfaction or dissatisfaction of the services provided corporately by the Council. The result of the monitoring enables each department to focus on areas of concern, to improve services and to monitor performance and ensure that any trends in issues raised are identified and dealt with so as to be avoided in the future.
- 2.3 The implementation of the Corporate Complaints Policy ensures that corporate complaints are dealt with consistently and fairly across all service areas.
- 2.4 To update members on the use of the Policy and Procedure to deal effectively with unacceptable, persistent or unreasonable actions by complainants.

3. LINKS TO STRATEGY

- 3.1 Monitoring of the Council's corporate complaints and successful resolution of those complaints supports the provision of higher quality and more effective services to the public across all service areas.

4. THE REPORT

- 4.1 Members will be aware that, on 1st April 2013, the Council implemented a new Corporate Complaints Policy (referred to as the Policy in this report) in order to reflect the model policy introduced by the Welsh Government.
- 4.2 The Policy introduced a two-stage complaints process to be followed within the Council. Stage 1 complaints should be dealt with within 10 working days and Stage 2 within 20 working days. If a complainant remains dissatisfied with the outcome of a Stage 2 response, he/she will have the opportunity to refer the matter to the Public Services Ombudsman for Wales.
- 4.3 To coincide with the introduction of the policy a Learning from Complaints Group (referred to throughout this report as “the Group”) was established, which is chaired by the Interim Monitoring Officer (or nominated representative), and includes Complaints Officers from across the Council, the Council’s Senior Policy Officer (Equalities and Welsh Language) and a representative from the Council’s Performance Management Unit. The group meets quarterly.
- 4.4 The information in relation to corporate complaints is reported on a six monthly basis to Audit Committee.
- 4.5 This report is a review of the complaints received for the year 1st April 2014 to 31st March 2015. This is the first report of this type and it is intended that future reports will include comparative data.

4.6 Review of Corporate Complaints

- 4.6.1 The data referred to below represents the number of complaints received from 1st April 2014 to 31st March 2015 for each Directorate referred to, together with an overview of the response timescales.
- 4.6.2 During the course of the year the data captured was reviewed, it now includes the outcome of each complaint; namely whether a complaint has been upheld, not upheld or partially upheld. An overview of the outcomes in respect of Stage 1 complaints are set out in paragraph 4.7.5 (c) and an overview of the outcomes in respect of Stage 2 Complaints are set out in paragraph 4.7.6 (d) below.
- 4.6.3 This report only includes details of corporate complaints, Members received a separate report from Social Services at its meeting on 10th December 2014 entitled Social Services Representations and a separate report from Education on 11th March 2015 entitled Procedure relating to School Based Complaints. With this in mind, it is unsurprising that the largest number of complaints relate to services delivered by the Environment and Housing, where separate statutory processes do not exist.
- 4.6.4 The total number of corporate complaints received across the Authority during this period is 212 comprising the following: -

		% of total number of corporate complaints received
29	Corporate	13.7
7	Education	3.3
82	Environment	38.7
83	Housing	39.1
5	Social Services	2.4
6	Other (cross Directorate)	2.8

- 4.6.5 A breakdown of the complaints are summarised as follows: -

4.6.6 Stage 1 Corporate Complaints

- | | | |
|-----|---|--------|
| (a) | | Actual |
| | Number of Stage 1 complaints received in Corporate Services | 25 |
| | Number of Stage 1 complaints received in Education | 7 |
| | Number of Stage 1 complaints received in Environment | 72 |
| | Number of Stage 1 complaints received in Housing | 60 |
| | Number of Stage 1 complaints received in Social Services | 4 |
| | Number of Stage 1 complaints received Other (cross directorate) | 0 |
- (b) The total number of complaints received at Stage 1 were 168, of those 155 were responded to within timescale and 13 outside the timescale.
- (c) Of the 168 Stage 1 complaints responded to, 45 have been upheld, 99 were not upheld and 24 have been partially upheld. The breakdown of outcomes for each Directorate is listed below.

Outcomes of Stage 1 complaints

	Upheld	Not Upheld	Partially Upheld
Corporate Services	8	9	8
Education	1	6	0
Environment	25	39	8
Housing	11	41	8
Social Services	0	4	0
Other (cross directorate)	-	-	-

4.6.7 Stage 2 Corporate Complaints

- | | | |
|-----|---|--------|
| (a) | | Actual |
| | Title | |
| | Number of Stage 2 complaints received in Corporate Services | 10 |
| | Number of Stage 2 complaints received in Education | 1 |
| | Number of Stage 2 complaints received in Environment | 15 |
| | Number of Stage 2 complaints received in Housing | 36 |
| | Number of Stage 2 complaints received in Social Services | 2 |
| | Number of Stage 2 complaints received Other (cross directorate) | 6 |
- (b) The total number of complaints received at Stage 2 were 70 of those 65 were responded to within timescale and 4 outside the timescale and 1 did not proceed.
- (c) Of the 70 Stage 2 complaints, 44 were commenced at Stage 2 and 26 were escalated from Stage 1 to Stage 2; 6 within Corporate Services, 13 within Housing, 5 within Environment, 1 within Social Services and 1 within Education.
- (d) Of the 70 Stage 2 complaints responded to, 16 have been upheld, 36 were not upheld, and 17 were partially upheld. Members will note 1 did not proceed. The breakdown of outcomes for each Directorate is listed below.

Outcomes of Stage 2 Complaints

	Upheld	Not Upheld	Partially Upheld	Ongoing	Did Not Proceed
Corporate Services	2	4	4	0	
Education	0	1	0	0	
Environment	1	10	4	0	
Housing	13	16	6	0	1
Social Services	0	2	0	0	
Other (cross directorate)	0	3	3	0	

- 4.6.8 Members will note that 13 housing complaints were upheld at stage 2. Of the 13 complaints upheld, 8 related to recharges to tenants, which were later removed. These complaints were analysed within the Housing division and as a result, a new recharge policy was introduced and was implemented in April 2015, which incorporates a revised appeals procedure. The procedure will include the use of an independent Recharge Review Panel comprising Senior Housing Officers, a Councillor and a Tenant. It is anticipated that this procedure will provide a more streamlined and uniformed approach to the consideration of recharge appeals.
- 4.6.9 The remaining Stage 2 complaints dealt with by Housing related to a cross section of matters, two related to private sector housing works in default and the service of notices. Again Housing have reviewed their processes and officers reminded of the correct procedures.
- 4.6.10 Members are reminded that a report is submitted annually to Caerphilly Homes Task Group (CHTG) in relation to complaints submitted to Housing; those reports contains more detailed information. The next report will be presented to the 17th September 2015 meeting and thereafter to Policy and Resources scrutiny committee on 30th September 2015 at Members' request.
- 4.6.11 Corporate Services do not have a significant frontline service provision and hence the numbers are lower, but they do include Equalities & Welsh Language complaints in the overall figures. The detailed information in relation to these complaints forms part of the statutory annual reporting framework to the Equality and Human Rights Commission and the Welsh Language Commissioner's Office.
- 4.6.12 Members will note that the number of complaints responded to within the timescales were over 90% of the overall complaints received. The Group is continuing to monitor the reasons for not meeting timescales and officers are working to improve communication with complainants where timescales cannot be met.
- 4.6.13 This report does not include any detail of interactions with customers that are deemed to be service requests.
- 4.7 Review of Trends and types of complaints**
- 4.7.1 Over the year officers have considered the data collected on a quarterly basis for each specific department however no specific trends could be identified.
- 4.7.2 Types of complaints received have been wide ranging for example, waste collection, fly tipping, highway repairs and drainage issues, council tax, housing benefit, student finance, special educational needs transport, grass cutting, pest control, planning issues, litter, housing repairs, recharges and home improvement grants.
- 4.7.3 The Group continues to monitor this data closely at its meetings held quarterly and Members will be kept updated via the six monthly reports. In order to improve outcomes it is proposed that over the next year the Group undertake an analysis of complaints to focus on the causes of complaints. This will hopefully provide an instructive way of understanding how the Authority can focus its attention to target improvement. It is planned to commence this work following discussion with the Group and it is intended to include this information in next year's report. The suggested topics for consideration are collaborative working; sensitivity/empathy of staff; fairness to you (the complainant); accessibility of services; clarity/accuracy of information; politeness; openness and honesty; delay in service provision; keeping informed; quality of work; decision making. This list may be extended following discussion with the Group on this point.
- 4.7.4 Whilst no trends have been identified during this year the Group recognises the importance of learning from all complaints handled under the policy with a view to monitoring and improving outcomes for both future complainants and the Authority as a whole. To this extent the Group has considered a report from the Ombudsman issued in October 2014. The report related to a housing complaint, which the Ombudsman upheld and made a number of

recommendations. The findings have been reviewed by the Group to try and improve processes and learn lessons for the future. In particular record keeping was identified as an area for improvement.

4.7.5 The number of corporate complaints is increasing. These increased complaints should not be seen in isolation as a negative. This report sets out examples of how knowledge gained from complaints has enabled the Authority to improve its internal policies and procedures.

4.7.6 In addition, over the next few weeks, further training on Corporate Complaints is to be rolled out to senior staff in the Leadership team and Management Network to remind officers of the importance of complying with the approved Corporate Complaints Policy to avoid complaints around process.

4.8 Ombudsman referrals

4.8.1 During this year, the Ombudsman following the issue of the Council's Stage 2 response has considered 16 complaints. The Ombudsman has decided not to investigate 12 complaints, 1 was upheld, and 2 were not upheld.

4.8.2 In respect of the report, which was upheld and issued in October 2014, as part of the formal reporting process the Standards Committee considered this report on 24th November 2014; by the Policy and Resources Scrutiny Committee on 3rd March 2015 and again by the Audit Committee on 11th March 2015.

4.8.3 In a later report, the Ombudsman has acknowledged that the Authority has made good progress towards complying with the recommendations of the report.

4.9 Update on the use of a Vexatious Complainants Policy

4.9.1 Members will recall that the Policy was presented to and endorsed by Cabinet on 27th November 2013. As a result the Policy has now been introduced and circulated to service areas. It is also available to view on the Council's website.

4.9.2 Members are advised that to date there have been no referrals made under this policy for the current year although the Group will continue to monitor the use of the policy.

5. EQUALITIES IMPLICATIONS

5.1 Monitoring of complaints via the Corporate Complaints policy addresses the Council's statutory duties under the Equalities Act 2010 (Statutory Duties) (Wales) Regulations 2011 and the Welsh Language Measure (Wales) 2011 in two ways. It addresses specific complaints to the Council around alleged discrimination by service areas and also addresses the monitoring of complaints from people who fall under the categories protected by these statutory duties.

5.2 The full details of these issues (that cover wider matters than are recorded as Corporate Complaints in this report) are included in the annual reports provided to the Equalities and Human Rights Commission and the Welsh Language Commissioner's Office. These reports are considered by Policy and Resources Scrutiny and Cabinet prior to being published by the end of June each year.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications associated with this report.

7. PERSONNEL IMPLICATIONS

7.1 There are no personnel implications associated with this report.

8. CONSULTATIONS

8.1 The views of the consultees have been incorporated into this report.

9. RECOMMENDATIONS

None. The report is for information only.

10. REASONS FOR THE RECOMMENDATIONS

10.1 To monitor the complaints process to ensure effective delivery of Council services.

11. STATUTORY POWER

11.1 Local Government Act 1972 – 2003.

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Karen Williams, Support Officer
Judith Morgans, Customer Services Manager
Ros Roberts, Performance Manager
Andrea Jones, Corporate Complaints Officer
David A Thomas, Policy Officer
Richard Harries, Internal Audit Manager
Leigh Brook, Corporate Finance

Background Papers

Report to Audit Committee 10th December 2014 – Social Services Representations and Complaints Procedure Activity

Report to Audit Committee 11th March 2015 - Procedure relating to School Based Complaints

Report to Standards Committee 24th November 2014 – Complaint made to the Public Services Ombudsman for Wales – Case Number 201301753