



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2016-17 Denbighshire County Council

Issued: June 2017

Document reference: 347A2017



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Jeremy Evans, Gwilym Bury, Siân Clark, Charlotte Owen, Paul Cunningham, and Paul Goodlad under the direction of Huw Rees.

**Huw Vaughan Thomas**  
**Auditor General for Wales**  
**Wales Audit Office**  
**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

# Contents

## Summary report

2016-17 performance audit work	5
The Council continues to meet its statutory requirements in relation to continuous improvement	5
Recommendations	6
Proposals for improvement	7

## Detailed report

The Council continues to meet its statutory requirements in relation to continuous improvement	9
Having made significant progress in delivering its current vision, the Council is developing an updated plan to describe its vision and key ambitions for the future, and how it will operate as an organisation	9
The Council has a clear framework and sound governance arrangements for significant service changes but evaluating the impact of service change is not always timely	13
In general the Council manages its resources well, but a lack of co-ordination between other corporate strategies may limit the contribution individual services can make towards the Council's goals	22
Other audit, regulatory and inspection work reported during 2016-17	39

## Appendices

Appendix 1 – status of this report	42
Appendix 2 – Annual Audit Letter	43
Appendix 3 – national report recommendations 2016-17	46

# Summary report

## 2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Denbighshire County Council's (the Council) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is detailed in this report.

## The Council continues to meet its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.
- 4 We reached this conclusion because:
  - a having made significant progress in delivering its current vision, the Council is developing an updated plan to describe its vision and key ambitions for the future and how it will operate as an organisation;
  - b the Council has a clear framework and sound governance arrangements for significant service changes but evaluating the impact of service change is not always timely; and
  - c in general the Council manages its resources well, but a lack of co-ordination between other corporate strategies may limit the contribution individual services can make towards the Council's goals.

## Recommendations

- 5 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved.  
The Auditor General is able to:
  - a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection, and publish a report and make recommendations; and
  - d recommend to ministers of the Welsh Government that they intervene in some way.
- 6 During the course of the year, the Auditor General did not make any formal recommendations. However, we made a number of proposals for improvement that are set out below. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Proposals for improvement

### Exhibit 1: proposal for improvement

Proposal for improvement	
P1	<p>Strengthen governance arrangements by:</p> <ul style="list-style-type: none"> <li>• consistent, timely monitoring of the impact of each significant service change.</li> </ul>
P2	<p>Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> <li>• developing an Income Generation/Charging Policy; and</li> <li>• formally risk rating savings according to achievability and identify sustainable mitigating actions for those classified as high risk.</li> </ul>
P3	<p>Strengthen people management arrangements by:</p> <ul style="list-style-type: none"> <li>• developing an approach to ensure that employees with limited or no access to the intranet can access relevant HR information; and</li> <li>• ensuring that variations and inconsistency of application of HR policies are avoided for front-line non-office-based employees.</li> </ul>
P4	<p>Strengthen asset management arrangements by:</p> <ul style="list-style-type: none"> <li>• ensuring that actions already underway to modernise corporate asset management arrangements promote more efficient and effective use of the Council's land and property portfolio and reinforce its contribution as a strategic resource.</li> </ul>
P5	<p>Strengthen ICT arrangements by:</p> <ul style="list-style-type: none"> <li>• ensuring the Council consults its ICT service over all technology purchases for both strategic and routine purchases; and</li> <li>• ensuring adequate ICT expertise are included in larger-scale or higher-risk procurements and implementations.</li> </ul>
P6	<p>Strengthen information management arrangements by:</p> <ul style="list-style-type: none"> <li>• ensuring Information Governance arrangements meet the requirements of international standards and include representation from across the whole of the Council;</li> <li>• extending the terms of reference of the Information Governance Group to cover business information needs as well as the requirements for compliance;</li> <li>• developing an Information Strategy, linked to other resource strategies, to shape information use and ensure information is accessible when and where it is needed; and</li> <li>• developing longer-term implementation plans for the Electronic Document and Records Management System to move the Council towards its goal of a paperless office environment.</li> </ul>

# Detailed report





The Council continues to meet its statutory requirements in relation to continuous improvement

Having made significant progress in delivering its current vision, the Council is developing an updated plan to describe its vision and key ambitions for the future and how it will operate as an organisation

With good leadership the Council is making significant progress in delivering its current vision

- 7 The Council has made significant progress in delivering its current 2012-2017 Corporate Plan, which it updated in early 2017 for its new Corporate Plan. The Cabinet proposes that the new Council adopt new corporate priorities in October 2017, following another round of public consultation during the summer. The proposed new priorities are:
  - a Denbighshire is a place where younger people will want to live and work and they have the skills to do so;
  - b Communities are connected and have access to goods and services locally, online or through good transport links;
  - c There is an attractive and protected environment that supports communities' wellbeing and economic prosperity;
  - d People can live independent and fulfilled lives in strong, caring, safe and resilient communities;
  - e The Council and communities work together to overcome challenges; devising and delivering joint solutions; and
  - f There are events that bring people together, creating active communities and helping business to prosper.
- 8 The Council presented, in its Annual Report in October 2016, a detailed and accurate analysis of its performance against the set of National Strategic Indicators and Public Accountability Measures. The analysis includes a clear explanation as to where performance had declined in the 17 indicators where this was the case.

- 9 In comparison with other councils in Wales, the Council's performance is in the top quartile or upper quartile in 62% of indicators. Performance in Denbighshire improved or was maintained relative to that of other councils against well over half the performance indicators. Overall this represents a satisfactory picture of performance.
- 10 The Council's current corporate plan links well to the Denbighshire Well-Being Plan 2014-2018, the county's single integrated plan, which was developed by the joint Conwy and Denbighshire Local Service Board (now joint Public Services Board). The Well-Being Plan reflects the common priorities for both counties from a geographic and economic perspective. The focus on the economy and the rural infrastructure is clear.
- 11 Since 2012, the Council has been delivering an ambitious £200 million capital investment programme, with monies secured from the Welsh Government and the European Union supporting the Council's own investment. This has included nearly £97 million investment in building or modernising schools, £18.4 million on improving the roads, £16.1 million on improving flood defences, £26.8 million on developing the economy of Rhyl, £13.6 million on improving libraries, leisure and housing, and £21.5 million has been set aside for modernising social services.
- 12 The Council's current Corporate Plan clearly references the needs and wishes of citizens, supporting the rationale behind choosing a number of the priority areas. In particular those to do with regeneration and building the local economy. To support the particular focus on the local economy, the Council developed the Economic and Community Action plan. This far-reaching document contains additional detail on the Council's aims, however, as with the Corporate Plan, the Council is not as transparent or specific about the performance levels its hopes to achieve in the public document, but is quite clear internally about what success looks like.
- 13 As part of its development of the new emerging priorities, the Council undertook a considerable amount of engagement work focusing on residents, staff, and Councillors, receiving over 1,500 responses. This engagement helped identify priorities to address the needs and concerns of communities. The Council also undertakes a series of citizen meetings or 'County Conversations' where it engages with citizens in dialogue about specific issues.

- 14 About 12 months ago, the Chief Executive and Council Leader started the conversation about shaping the future and taking steps to revise and update the Corporate Plan for the next administrative period. The conversation focuses on how the Council will operate as a business, building on the 'Denbighshire Way'. This is an approach which values unity, pride, integrity and respect and principles that prioritise performance and outcomes delivered through collective leadership, transparency, accountability and being close to its communities.
- 15 Councillors and officers clearly articulate and promote the current Council vision, and provide a consistent, visible, and shared leadership message to staff and partners. Both officers and councillors talk openly about the need to develop a revised vision, and senior officers are fully aware of the Chief Executive's thinking in this area. The Council understands the importance of establishing a strong organisational culture, underpinned by appropriate capacity and capability. This culture is largely embedded in the 'Denbighshire Way' principles, is developing well and is visible in much of what the Council does.

**The Council demonstrates a clear understanding of its accountabilities to stakeholders and is generally effective at engaging with internal and external stakeholders about key strategic issues**

- 16 The Council demonstrates an appropriate understanding of its formal accountabilities to key stakeholders and the public; its formal accountabilities are appropriately documented, in, for example, the Council's Annual Governance Statement and Constitution. The Council acknowledges the need to strengthen its external communication and engagement, although its website is reasonably accessible and easy to navigate.
- 17 Senior officers and councillors are actively involved in constructive dialogue with the Welsh Government about its aims, performance and improvement activity. In addition to satisfying statutory requirements (such as Improvement Plans and Annual Performance Reports), officers and councillors seek opportunities to raise awareness of key local and regional issues with the Welsh Government and other key external stakeholders, such as Betsi Cadwaladr University Health Board.

- 18 The Council provides a range of opportunities for members of the public to raise and receive answers to specific questions on corporate and service performance. In addition to formalised arrangements for members of the public to submit questions to Cabinet (added to the Constitution in the 2016 revision), scrutiny committees can table questions and topics suggested by the public, and there is scope for members of the public to ask questions at a local/neighbourhood level via the regular Member Area Groups.
- 19 The Council has adequate arrangements to promote effective governance and accountability when delivering services through companies, trusts, or other external entities. The Council recognises the need for clarity about its rationale for delivering services through external entities, for example, the business case for transferring responsibility for the Revenues and Benefits service to a private partnership was transparent. In anticipation of future Alternative Delivery Models, it has developed a comprehensive approach to evaluating future options through a methodology reflected in revised financial regulations approved by the corporate governance committee in July 2016. The Council has comprehensive contract monitoring arrangements, including finance, risk and governance, for its two outsourced contracts. Internal Audit provides assurance about the robustness of the arrangements. The Council Constitution includes a Protocol and Guidance for councillors appointed to outside bodies, but there is not yet equivalent guidance for officers.

## The Council has a clear framework and sound governance arrangements for significant service changes but evaluating the impact of service change is not always timely

### The Council's vision and strategy provide a clear framework to shape and drive significant service changes

- 20 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, 'lead their communities'.<sup>1</sup>
- 21 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government, as well as rising demand for some services, mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 22 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act (WFG Act) and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the WFG Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'.<sup>2</sup> This legislation emphasises the importance of effective governance in achieving well-being goals.

<sup>1</sup> CIPFA/SOLACE, Delivering Good Governance in Local Government: Framework 2007

<sup>2</sup> Welsh Government, **Shared Purpose: Shared Future, Statutory Guidance on the Well-being of Future Generations (Wales) Act 2015**, February 2016

- 23 The focus of our work is on the effectiveness of Denbighshire County Council's (the Council) governance arrangements for determining service changes. We define service change as any significant change in delivering services and/or any significant change in how services are experienced by external service users. Changes could include the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.
- 24 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for **Delivering good governance in local government** as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, to inform our assessment of the Council's overall arrangements for developing and determining service changes we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:
- a revenues and benefits service;
  - b charging for garden waste collection; and
  - c welfare rights service review.
- 25 We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes. In addition, we observed a number of annual internal service challenges where senior officers and lead councillors reviewed the impact of a number of service changes.

- 26 The Council has a clear vision and strategy for service change proposals linked to its well-articulated priorities set out in its 2012-2017 Corporate Plan and most recent improvement objectives. They are:
- a developing the local economy;
  - b improving performance in education and the quality of school buildings;
  - c improving roads;
  - d vulnerable people are protected and are able to live as independently as possible;
  - e clean and tidy streets;
  - f ensuring access to good-quality housing; and
  - g modernising the Council to deliver efficiencies and improve services for customers.
- 27 Proposals from officers for service changes all have to demonstrate their relevance to the Council's corporate plan objectives and how their implementation will contribute to the outcomes set out within the plan. The service changes in Denbighshire that we examined have clear links to the corporate plan objective of 'modernising the Council to deliver efficiencies and improve services for customers'.
- 28 The Council is implementing a number of alternative forms of service delivery including partnership services with the private sector and shared services with other local councils and the third sector, such as a common housing allocations scheme with local housing associations. In the service changes we examined, such as the transfer in 2015 of revenues and benefits staff to a new partnership with a private company, there is a comprehensive business case which sets out how the transfer demonstrates value for money, would generate additional income, and maintain existing performance with reduced resources. We reported in our last annual improvement report that the Council reviewed a wide range of possible options for alternative leisure service providers, held 14 stakeholder workshops and completed a detailed cost benefit analysis, including local market comparisons. This work provided the Council with detailed information about performance and customer satisfaction on each of its leisure facilities. The work has also allowed it to develop detailed operational plans for individual leisure facilities to deliver its aim of making services both self-funding and central in improving the health of residents living in Denbighshire.

- 29 The Council is revising its governance arrangements for service changes to address the requirements of the WFG Act. For example, the Council has revised its constitution and its report format for committee papers. In addition it has reviewed systems to reflect WFG guidance in internal audit, workforce planning, asset management, risk, public engagement, financial and business planning. It is developing an online Well-being Impact Assessment toolkit to assist it in addressing the requirements of the WFG Act, including an impact assessment of service change proposals, but the Council acknowledges this toolkit is still subject to further work and improvements.
- 30 The significant service changes that we looked at were subject to public consultation with the Council inviting comments from residents, staff, town and community councils and other stakeholders. In addition to more traditional approaches such as public meetings and residents surveys, the Council tries to engage through online surveys and a series of citizen meetings (county conversations). The Council also engages with citizens in dialogue about specific issues such as the county conversation on 'planning the future' aimed at shaping ideas for future service changes where the agenda was set to gather citizen views about:
- a what is working well for you now in your local community?
  - b your hopes and aspirations for the future.
  - c how we can build on what is working well now and make this future a reality?
  - d what might get in the way of these things happening.



- 31 In addition to county conversations the Council has established six Member Area Groups (MAGs), which each cover a small group of co-located wards. These operate at a local level to address specific local issues. The six MAGs have been allocated funding so that local councillors can assign funds to specific projects proposed by citizens in the constituent wards. This approach was praised by councillors and officers of the Council during our review.

### Accountability and governance arrangements for councillors and officers considering significant service changes are clear and well understood

- 32 The Council's current arrangements appear to work well when considering service change. A relatively low proportion of the work of scrutiny committees takes the form of pre-decision scrutiny where committees consider issues before they reach Cabinet for decisions to be taken. However, a number of scrutiny task and finish groups, such as the Cutting the Cloth task and finish group, consider efficiency savings and other service changes. The use of pre-decision scrutiny helps the Council to ensure that the decisions involve councillors in a timely way to inform and facilitate decision-making.
- 33 The roles and responsibilities in relation to significant service changes for the monitoring officer and Head of Legal, Democratic and HR services are set out clearly in the constitution. The Council updated its constitution in July 2016 and roles of councillors and officers are clearly set out and have regard to the CIPFA and Welsh Local Government Association guidance.
- 34 Since 2015 a corporate framework was established for considering alternative service providers and subsequent monitoring and governance arrangements and the relevant service changes we looked at followed this framework. The framework sets out clearly the requirements for having relevant guidance in place, the arrangements for considering and implementing changes, the roles of those involved, the monitoring and governance arrangements, as well as the necessary legal components and the minimum levels of monitoring required depending on the value of services provided.

## The challenge by councillors of new service delivery options and proposals is robust

- 35 The service changes that we examined had undergone robust systematic reviews of options of alternative means of service delivery. All of the service changes we examined had comprehensive business cases which discussed a range of options and the associated costs of alternative proposals and included an informed assessment of the anticipated impact on service users of different options. In addition to the work of councillor task and finish groups on service changes the Council's service challenge arrangements continue to provide councillors and managers with comprehensive and detailed position statements drawing on the available performance data and on the progress of major projects. Senior staff and councillors subsequently challenge the service's position statement on service changes and allow officers to set service performance in the context of known risks, and to narrow the focus of the subsequent challenge meeting to those matters that are most relevant.
- 36 All significant service change decisions are reviewed by the relevant scrutiny committee and then Cabinet although more controversial service changes such as changes to residential homes are debated at full Council. The proposed service changes to residential homes have been modified following proposals from scrutiny committee and task and finish groups.
- 37 All decisions on service change are fully and accurately recorded in a timely way and written minutes are available on the Council website. Council scrutiny and Cabinet meetings are at present not webcast but the Council has plans to consider introducing this as part of its transformation of the Council chamber and the purchase of new webcasting equipment.

## The Council actively engages with stakeholders to inform decision-making and is committed to widening involvement to better reflect the diversity of Denbighshire

- 38 The significant service changes that we examined showed that the Council spent a considerable amount of time on engagement work, focusing on residents, stakeholders, staff and councillors. This helped identify priorities to address the needs and concerns of communities. Some of the key activities the Council undertook as part of the consultation and engagement work which informed service changes included:
- a biannual residents' survey;
  - b workshops with service users;
  - c consultation with external stakeholders;
  - d staff workshops; and
  - e workshops with councillors to consider the conclusions from engagement.
- 39 Consultations on service changes are well publicised by the Council, both on its website and through a range of other publicity in Denbighshire. Where proposed service changes are potentially controversial such as changes to in-house care services the Council undertook over several months a number of well-publicised public meetings and a high number of meetings with service users, trade unions, staff and other key stakeholders. Agendas and papers about service changes are easily accessible on the Council's website.
- 40 There is a consultation page on the Council's website which explains what is happening with current and closed consultations. The Council's resident newsletter 'Denbighshire County Voice' reports back on consultation exercises and how decisions are taken on service changes.
- 41 Although the Council's engagement activity on service changes, such as leisure services or on in-house care services, is of a high standard, no service change we examined could comprehensively demonstrate to have engaged with people from all the protected characteristics as set out in the 2011 Equality Act.

- 42 The Council is committed to widening involvement to better reflect the diversity of Denbighshire. In 2016 the Council approved a new Strategic Equality Plan for the period 2016-2018. The new equality plan recognises that more work is required to meet the seven goals of the WFG Act including the equality goal. As part of this approach, a Denbighshire Equality Forum will be established with participants from all of the groups with protected characteristics. The Council will, through the forum, be developing a new improved approach to equality impact assessments.

### The Council monitors service performance and evaluates the impact of individual service change, although at times this is not always timely

- 43 The Council's updated 2016 constitution sets out who is responsible for monitoring the impact of service changes. The service changes we looked at were often internally monitored through the Council's Modernisation Board comprising senior officers and councillors.
- 44 The planning of transition arrangements for service changes are clear and there is no evidence in the service changes we looked at that during the transition period services to the public declined. For example, the transfer of the revenues and benefits service did not lead to any decline in the speed of benefit payments to the public. The service changes we looked at achieved the anticipated levels of savings, such as the introduction of charges for the collection of garden waste.
- 45 The business cases of all the service changes we looked at set out requirements for monitoring arrangements through scrutiny and usually review by internal audit. Arrangements for the public reporting of the impact of service changes rely on the scrutiny process. However, in at least one case and at the suggestion of councillors, scrutiny was not carried out for a significant period after the change was implemented. In April 2015 the Council implemented the transfer of the revenues and benefits service to a new partnership with a private company. The Council intended scrutiny to review the impact of the changes after 18 months. However, this review did not take place until 2017 some two years after the change took place. Undertaking the review this late could mask issues and prevent or delay the Council taking action to address the problems identified.

- 46 Internal audit reports on service change that indicate low or no assurance are publicly considered by the Corporate Governance Committee. The Council is now increasing the opportunity for public scrutiny of all internal audit reports by providing the Corporate Governance Committee with a short summary of the findings of all reports.

### The Council proactively reviews and improves the effectiveness of its decision-making arrangements

- 47 The Council's annual governance statement review is comprehensive and reviews decision-making arrangements in the light of experience and recommended good practice. The Council's Corporate Governance Committee plays an appropriate role in ensuring that there are suitable processes in place for the identification and management of risks to assist with its role and the development of the annual governance statement. The annual governance statement sets out clearly how risks are managed and monitored, and there are processes to capture new accepted risks. The Council takes action to address any identified weaknesses in decision-making arrangements. For example, as a result of weaknesses identified by internal audit in the procurement of ICT the role of the ICT service in procurement is now set out clearly in the Council's constitution.
- 48 The Council recognises the importance of managing risk and a Corporate Risk Register with supporting guidance is in place. Key risks including significant service change such as proposals on residential homes are identified and assessed as high, medium or low. The Council has approved a Risk Management Strategy and Corporate Risk Register and has regard to it when allocating resources. Cabinet has agreed that it should consider updates to the Corporate Risk Register every six months. Individual service areas produce their own risk registers, which they consider alongside their service improvement plans.
- 49 Furthermore, risk management is seen as a high priority in all service areas. The process for monitoring how each service area manages its risks is consistent and accountability arrangements are clear. Risks are well managed on large individual projects and are directly managed by the head of service if it is considered that there is an additional greater corporate risk. All decision-making is documented, including where it is decided not to include low-level risks in the registers.

In general the Council manages its resources well, but a lack of co-ordination between other corporate strategies may limit the contribution individual services can make towards the Council's goals

The Council has an effective and well-considered savings planning approach, which is supporting future financial resilience

## Context

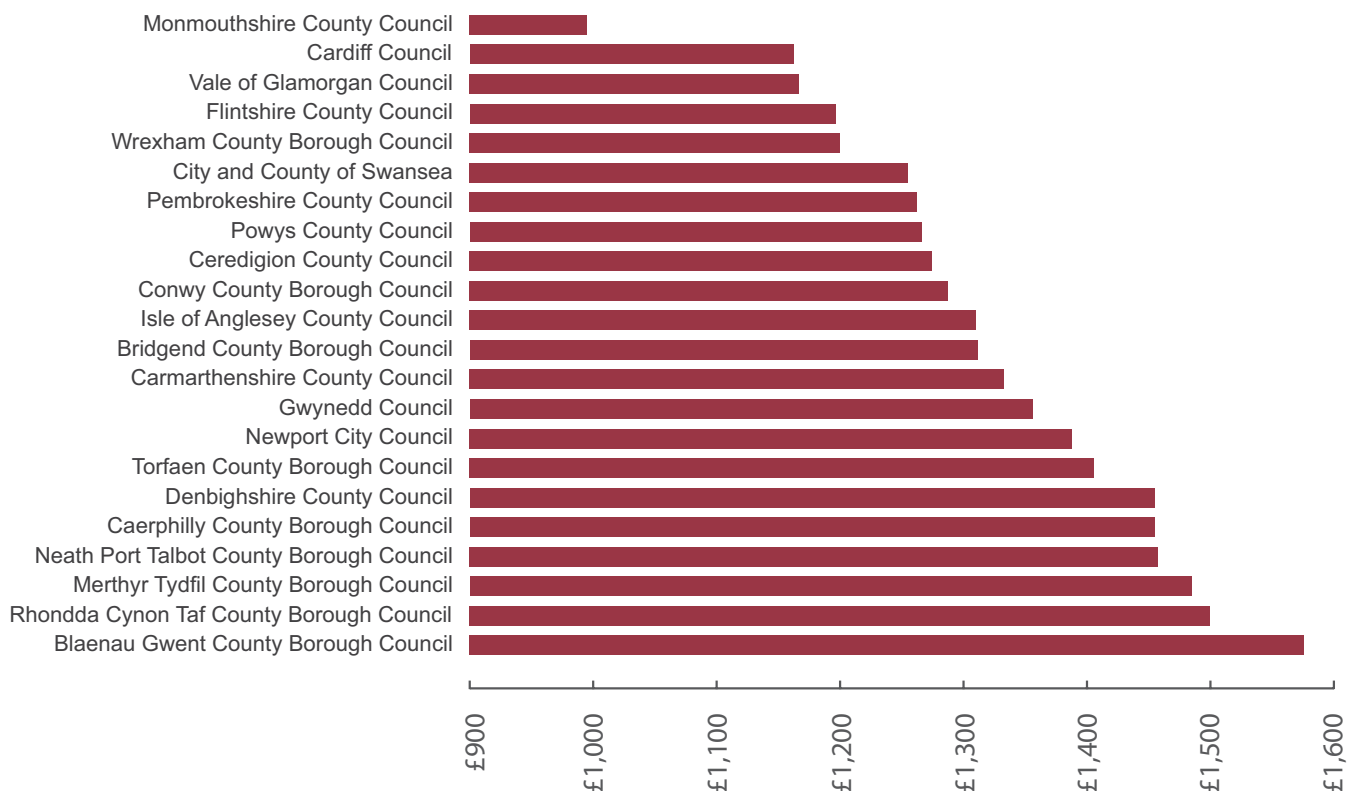
- 50 Since 2010, the UK government has reduced spending on public services as part of its plan to reduce the deficit. With cuts to its budget, the Welsh Government has had to make difficult choices as to how to allocate those funding cuts across devolved public services. As a result, the amount of core funding made available by the Welsh Government to local councils has reduced each year. So far, most local councils have managed to reduce expenditure and balance budgets, but the scale of annual reductions is likely to continue. Our analysis shows that between 2013-14 and 2016-17, there has been a real-terms reduction of £483 million (10.9%) in this core funding<sup>3</sup>.
- 51 The impact of the decision to leave the European Union may represent a threat to local councils and the wider public sector in Wales. In the immediate aftermath of the decision there was reaction across financial markets resulting in volatility in, for example, share prices, currency exchange rates, oil prices and bond yields, and the UK continues to face a great deal of uncertainty on top of significant questions regarding future economic and trading relationships with Europe. The Welsh Local Government Association (WLGA) has expressed concerns over the implications of the European Union referendum outcome, calling it a 'seismic change in UK public policy'<sup>4</sup> especially as local councils are collectively the largest employer in Wales and the deliverer of many important public services.

3 Comparing core funding (Aggregate External Finance (AEF) across the period 2013-14 to 2016-17 is complicated for two main reasons. Firstly, the Welsh Government has incorporated into core funding grants that were previously provided separately. While this 'de-hypothecation' of grants results in an increase in core funding, it is not necessarily a net increase in funding. The net value of grants incorporated into core funding since 2013-14 is around £76 million in real terms (adjusted for inflation).

4 Welsh Local Government Association, **Councils voice concern over service impacts of EU referendum**, 24 June 2016

- 52 Whilst the overall Welsh Government funding has reduced, councils have been expected to protect schools and social care from the bulk of the pressures. Social care in particular has struggled even with this protection as for example demographic changes have led to increased demand. However, this does mean that other services have borne the majority of the cuts and have seen reductions in budgets of 30% or more in real terms since 2013-14.
- 53 The Council received £140 million in support from the Welsh Government in 2016-17. This represents £1,455 per person in the county, above the average for Wales but a real-terms reduction of 10.9%<sup>5</sup> per head since 2013-14. There are other key issues that impact on any council's overall financial position, for example, the overall Council tax base, the ability to generate income locally and the levels of deprivation.

**Exhibit 2: Welsh Government support in 2016-17**



Source: [Stats Wales](#)

<sup>5</sup> The percentage reduction per head figure varies from the 2013-14 core funding reduction due to population variation over the same period.

## Savings achievement 2015-16

The Council has reported achievement of 91% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered

### What good looks like

- 54 Councils that have a good track record of delivering the majority of planned in-year savings should have well developed savings and delivery plans in place which are underpinned by robust monitoring processes. These councils do not have to continually bridge the gap year on year, by identifying alternative savings, using unplanned one-off funding from earmarked reserves, general reserves, contingency funds or fortuitous unplanned income received during the year.

### What we found

- 55 In our 2015-16 review we found that the Council achieved approximately 99% of its planned savings in 2014-15.
- 56 In our 2016-17 review we found that achievement of planned savings is lower than in previous years. Our findings are detailed below.
- 57 The Council delivered a net overspend of £25,000 on its 2015-16 budget and achieved 91% of its planned savings. Although there was a collective net underspend of £1.6 million on service and corporate budgets, there was a significant overspend of nearly £2 million on schools' delegated budgets. School reserves were used to fund the school overspend, enabling the Council to transfer service and corporate underspends to earmarked reserves.
- 58 The Council's planned budget strategy for 2015-16 included the use of £500,000 from general balances. However, the Council did not need to utilise these balances, which will instead be used as part of the planned budget strategy for 2017-18.
- 59 The Council achieved 91% of its 2015-16 savings plans and expects to achieve the majority of the remaining 9% in 2016-17. Savings plans are embedded in the base budget and form part of the budget monitoring process. Regular budget monitoring reports to Cabinet include a section on achievement of savings, and where problems with achieving savings proposals are identified, further narrative is provided.



- 60 The Council's process for identifying savings is evolving and a new approach that increased member involvement was taken for the 2015-16 plan. The Freedoms and Flexibilities programme identified savings for a two-year period by focusing on what a service does, analysing its expenditure, and identifying whether service provision is statutory, aligned to a corporate priority, or discretionary.

## Financial planning arrangements

### The Council has an effective financial planning framework but it still needs to develop a corporate approach to income generation

#### What good looks like

- 61 The Medium Term Financial Plan (MTFP) is a key component of an effective, integrated corporate planning framework. Good medium-term financial planning and annual budgeting should reflect the council's strategic objectives and priorities for the year, and over the longer term. MTFPs typically span a three-to-five year period and should identify how resources will be allocated to both the delivery of services and the council's priorities. The impact on citizens and other stakeholders should also be considered.
- 62 Good MTFPs include consideration of key financial risks together with their mitigation. Councils have to make assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services, and these need to be based on reasonable predictions. The council should also use financial modelling to assess the likely impacts on financial plans and required savings for a range of different scenarios and risks. The MTFP should be frequently reviewed and updated to reflect changes in assumptions and risks.
- 63 Councils should operate within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by Members, and appropriate to the strategic, operational and financial risks it faces. Councils should include details on how reserves will be used over the period of the MTFP.
- 64 The council must demonstrate that it understands its sources of income and the risks arising from these, and that it has reviewed its approach to fees and charges, for its services, to achieve value for money.

## What we found

- 65 In our 2015-16 review, we found that the Council had effective controls in place to ensure its financial processes and management were robust, but it needed to strengthen its approach to income generation.
- 66 In our 2016-17 review, we found that the Council continues to have an effective financial planning framework but it still has no formal income generation policy.
- 67 There are good links between the Council's corporate and medium-term financial planning processes. The Corporate Plan sets out the Council's priorities and identifies how they will be funded. The Council's MTFP links to service and corporate plans and priorities set out during the budget planning process.
- 68 The MTFP demonstrates some of the ways the Council is considering the long term impact of its budgetary decisions, eg impact assessments and monitoring the impact of budget decisions post-implementation.
- 69 The Council's MTFP is up to date. A formal update rolling the MTFP forward is approved by Cabinet every autumn. Medium-term financial planning assumptions are regularly reviewed and communicated to take account of changes in key variables and other emerging issues.
- 70 The MTFP covers a four-year period. The MTFP forecasts are comprehensive and include sensitivity analysis and are modelled on a range of scenarios. The MTFP 2017-18 to 2019-20 identifies a budget gap of £26 million. The Council has identified indicative savings over the period of £3.6 million and plans to use £3.5 million of general reserves, leaving a budget gap of £19 million.
- 71 The MTFP includes some indicative savings for the remainder of the MTFP term, but the Council has not yet fully identified how it will meet the total forecast budget gap.
- 72 The MTFP is also underpinned by reasonable and appropriate assumptions for key variables such as pay awards, price inflation, and funding and council tax levels. The impact of demographic changes, changes in demand and known commitments are also assessed.

- 73 At the end of 2015-16, the Council held approximately £7.6 million as a working balance in its general reserve. Reserves and balances are reviewed annually as part of the budget setting process and both the annual budget report and MTFP set out planned use of reserves over the term of the MTFP.
- 74 The Council does not have a standalone reserves policy but its reserves protocol is clearly set out within the Council's Financial Regulations, and reserves are regularly reviewed. The Council's budget strategy since 2015-16 has included the planned use of general balances; the Council did not make use of the additional funds in 2015-16 and will instead use these unused balances as part of its 2017-18 budget strategy. During 2015-16, the Council established a budget delivery contingency reserve of £1.5 million. Almost £500,000 of this reserve is available to mitigate against delays in achieving proposed savings in 2016-17.
- 75 As reported in 2015-16, the Council lacks a corporate policy on income generation and charging. Responsibility for assessing and setting charges is devolved to Heads of Service and although fees and charges are reviewed as part of the budget process, opportunities could be missed without a corporate policy in place. The Council is taking steps to ensure there is a more consistent approach between services by collating fees and charges data as part of the 2017-18 budget process.
- 76 The Council has robust arrangements in place to report progress against budget, but monthly finance reports could be strengthened by including updates on the use and level of reserves. This would enable members to have sight of reserves levels, and the opportunity to challenge them, throughout the year.

## Savings Plan 2016-17

The Council forecasts that it is likely to achieve 70% of its 2016-17 savings targets in-year and appropriate monitoring arrangements are in place; contingency savings proposals are prepared should they be required

### What good looks like

77 Councils that deliver savings effectively have well-considered savings plans that sit within longer-term savings strategies which are underpinned by well-developed fully costed individual savings and delivery plans aligned with the MTFP. Savings proposals should be specific and risk assessed in terms of likelihood of achievement.

### What we found

- 78 In our 2015-16 review we found that the Council's future plans and arrangements to deliver savings were fit for purpose and were being effectively managed.
- 79 In our 2016-17 review we found that the percentage of savings likely to be achieved in-year is falling, suggesting a weakness in assessing deliverability risks, although monitoring arrangements remain robust. The Council has alternative savings proposals in hand. Our findings are detailed below.
- 80 The Council has identified savings plans to meet the savings required for 2016-17 and it has classified its costed savings plans into efficiencies and technical budget reductions which have no impact on services or the public; alternative delivery, commissioning and procurement; service level changes (including reduction or withdrawal); and increased income. The Council's emphasis to date has been on efficiency savings, limiting the impact of cuts on service users. As efficiency savings become increasingly difficult to find, adequate levels of transformational savings will help the Council develop sustainable approaches to service delivery that provide ongoing savings.
- 81 The latest financial monitoring report to Cabinet forecasts that only 70% of the Council's savings plans for 2016-17 will be achieved in-year; a further 25% are delayed and will be achieved in 2017-18.

- 82 In September, Cabinet approved the use of reserves and corporate budget underspends to mitigate against the impact of savings identified as deferred and unachievable. Although the Council has sufficient reserves and available corporate budget to fund the savings shortfall in 2016-17, there is an expectation that the shortfall could be covered by service underspends. Furthermore, if required the Council has alternative savings proposals in place that it could use to replace the original planned savings. The Council will decide whether it needs to use any of the savings proposals as the year progresses.
- 83 The Council's savings proposals are risk assessed as part of the budget setting process and during in-year monitoring. Although risks relating to the deliverability of proposed savings are discussed as part of the process for identifying and approving savings, there is no formal procedure to risk rate savings plans according to achievability. There is scope, therefore, for the Council to strengthen its approach by incorporating a formal risk rating process to identify those savings which carry a greater risk of delay or non-achievement and sustainable mitigating actions.
- 84 Equality Impact Assessments are carried out for all savings proposals that impact on citizens or stakeholders, but the quality of completion is inconsistent. A new web-based impact assessment tool addresses the Council's duties under the WFG Act. The Council has further strengthened its processes by assessing the impact of selected savings proposals on the public following implementation.
- 85 The Council's savings plan is specific, listing individual savings projects by service area. The plan is supported by more detailed, underlying plans.
- 86 Effective monitoring arrangements are in place to manage savings. Monthly reports to Cabinet set out whether each saving has been achieved, is in progress or has been deferred or not achieved. Where savings will not be achieved in-year, a brief narrative is provided detailing the proposed mitigating actions.

- 87 The three savings proposals for 2016-17 we sampled to test the underlying assumptions and whether there are adequate mechanisms to ensure they can be delivered in the planned timescale were:
- a CCTV service – £200,000 (service reduction/withdrawal);
  - b better take-up of green waste scheme – £75,000 (income generation); and
  - c accommodation strategy – £258,000 (efficiency saving).
- 88 In each case we found that options appraisals were underpinned by reasonable assumptions, delivery plans had clear timescales and the proposals were supported by appropriate approval and consultation processes. The Accommodation Strategy saving has been delayed but the Council is confident that the saving will be achieved in full in 2017-18.

**The Council continues to strengthen its approach to managing and utilising its workforce by having an effective approach to workforce planning and leadership development, supported by clear policies and guidance**

- 89 The Council has a clear approach to workforce planning, leadership development, training and development, and other key elements which support the effective management of its workforce.
- 90 The Human Resource (HR) service has improved significantly since 2012, and a key change has been consolidating its approach from a directorate specific service to a cohesive centralised service. This approach provides consistent advice and guidance through a business-partnering model, supported by specialists and a team of HR Assistants. The HR service aims to build on its positive progress and to further ensure that it provides a good, flexible, efficient service to managers. HR is involved at the strategic level and is considered a trusted partner in the Council's service transformation agenda.
- 91 The Council has a well-established and experienced corporate HR team which includes qualified HR staff and administrators. The team benefits from strong professional leadership and is well supported by senior leaders. Staff report a high level of satisfaction with the quality of the HR service they receive. The HR team is deployed flexibly in

order to support services undergoing significant change. Business partners are affiliated to each service area and regularly attend Departmental Management Teams. They have a good understanding of the service needs and challenges as a whole and how HR can support the service's activity. Whilst the Head of Service is not an HR specialist, the service is staffed by knowledgeable team members who are led by a skilled service manager.

- 92 As mentioned above, the Council has a business partner model arrangement for HR that is supported by specialist staff who provide specific advice, HR assistants and a daily 'pod' that is staffed according to a rota. A key element of the model is a focus on HR Direct, a section on the Council intranet which provides access to update policies, procedures and guidance, some of which are interactive; the intention being to develop the interactivity of policies. Managers primarily access policies via HR Direct. HR encourages staff to visit HR Direct, and if further advice is needed HR staff are available to provide such support. The model is working well for the Council and there is a clear expectation on managers (at all levels) to manage HR issues, by accessing policies and procedures, and drawing on the support of the HR service as and when needed. Managers are trained to undertake line management responsibilities. The lines of accountability for HR issues are clear and well understood.
- 93 An appropriate range of HR policies is in place and is generally accessible to staff. A document log is maintained which lists the document name, type of document (policy, guidance etc) policy field, document owner, implementation date, last date reviewed, and date of next renewal. The content of policies is reviewed regularly to ensure compliance with changes in legislation and managers interviewed stated that policies were comprehensive and understandable. Policies refer appropriately to variations resulting from service differences eg school based staff, and HR Direct has a separate page which allows for school related policies to be directly accessed. There is a good understanding by senior managers of these procedures and processes.
- 94 However, the Council lacks sufficient assurance about the extent to which services always comply with these policies. Whilst central HR retain electronic files for each individual employee, service managers retain individual folders for employees, which has the potential to undermine confidentiality.

- 95 HR and payroll have separate and incompatible IT systems, and whilst HR has sought to mitigate possible data inconsistency issues between the HR iTrent system and the Council's payroll system by providing regular data reports to payroll staff, this does not totally eliminate the risk of inaccurate data being included on one or other system.
- 96 With the increasing focus on information being accessible via the intranet, there is a possibility of a growing issue about how employees with little or no access to the intranet can easily access HR documents. The Council is considering making information accessible via an extranet facility, but this is for the medium to longer term. Anecdotal evidence from some staff we spoke to suggested variations to flexible working arrangements and inconsistency of application when applied to front-line non-office-based employees.
- 97 The Council has implemented 'the Right Track,' personal development plans, which enables employees to identify areas for development, required competencies and behaviours in order to progress careers through the relevant 'tracks'. Further work is planned on detailed training development plans on a service basis in order that employees are clear about progression along their chosen career path.
- 98 Appraisals are a priority for managers, and all staff are expected to have an annual appraisal. Whilst clear objectives are expected, the Council has identified inconsistencies which will be dealt with through training and the introduction of a quality assurance process which will provide challenge and moderation at all levels. Appraisal processes are robust in so far that their annual completion is monitored and regularly reported to departmental management team meetings and via the service challenge process. Completion levels are at 96%.
- 99 The numbers of staff capability and performance improvement plans are considered by the Council to be a positive indicator of managers' having confidence and skills to deal with such issues. In previous years, the absence of such plans was considered by the Council to be a negative, as it concealed issues and demonstrated the lack of appetite and/or confidence of managers at that time to deal with difficult and challenging situations.



- 100 Attendance at work is managed effectively with roles and responsibilities of employees, managers, HR and occupational health clearly articulated within the policy document, which includes a simple flow chart illustrating the main steps which need to be followed. HR provides data to managers about attendance levels, trends, and triggers for further action.
- 101 There is a specialist Occupational Health officer who supports the active management of long-term absences and return to work. A Health and Wellbeing Officer has recently been appointed, and a counselling service is available to assist those returning to work. Whilst absence levels are amongst the lowest in Welsh councils, the achievement against target for absence levels is currently rated 'red' by the Council whose target level is on a par with the private sector.
- 102 The Council engages in effective workforce planning. There is an easy to read workforce planning process document together with a workforce planning template which seeks to harvest information on the current workforce, future workforce, gap analysis, and service summary. A service workforce plan considers the short-medium term, with the Corporate Workforce plan capturing the strategic/longer-term issues including sustainability.
- 103 The corporate workforce plan for 2015-16 supports the Corporate Plan. It has an action plan which focuses on four key areas: Developing Leadership Capacity, Resourcing, Developing the Skills and Capacity of the Workforce, and Developing as an Organisation. There are comprehensive workforce plans across all services and managers are involved in workforce planning. The workforce plans link with business plans and workforce issues are included in business plans and in service challenges.
- 104 The Council is planning to implement a structured succession framework. The Council is pleased that its last three successful Heads of Service appointments have been internal candidates (though not necessarily ring-fenced to internal candidates). Currently succession planning is arranged on a more informal/bespoke approach rather than a formal/structured method. However, the Council's level of Welsh speaking staff is 'low' (at 14.67%) compared to the county population as a whole (at 24%), and it was unclear how the Council is going to address this issue.

- 105 The relationships with trade unions appear to be professional and appropriate with both formal and informal arrangements in place for discussion and debate. Staff Surveys are held every two years, and staff have the opportunity to offer suggestions for improvement, including via the intranet.

**Operational asset management arrangements are adequate, but the strategic approach to asset management is not yet robust**

- 106 To date, asset management decisions have tended to be driven more by operational issues, such as lease expiries and repair commitments, than by workforce strategies. There are signs, however, that workforce planning is beginning to exert more influence on the Council's approach to asset management.
- 107 The Council's new Head of the Asset Management Service identified a number of key issues:
- a poor understanding across the organisation of the Corporate Landlord role, and in the governance arrangements and processes for asset management;
  - b a lack of an overall asset management strategy, and a variable quality of service asset management plans (SAMPs);
  - c processes that had not been reviewed for several years and that failed to reflect recent organisational changes; and
  - d dated documentation, and a need for more 'business friendly' language to be used in communications.
- 108 Capacity problems and budgetary constraints have adversely affected the Council's ability to manage its property assets. There has been limited progress in implementing the planned maintenance policy and the Council acknowledges that a backlog of repairs reflects many years of inadequate investment. Some of the Council's tenanted smallholdings have also lacked sufficient capital investment to maintain the value of the assets.

- 109 The Council's approach to land and property asset management has helped to mitigate the financial pressures it has faced. Reductions in the size of the estate have released capital, reduced maintenance costs and supported efficiency savings. However, asset management is not effectively aligned to the medium-term financial strategy and the contribution that asset management is expected to make to reduce costs is only included within service-level detail savings.
- 110 The Council's approach to collaborative asset management is under-developed. It has collaborated with partners when mutually beneficial, but these initiatives are opportunistic rather than the outcome from medium or long-term joint planning. The Council works with internal and external stakeholders in managing its assets and continues to strengthen its arrangements, such as improving its engagement with commercial tenants. However, the new Head of the Asset Management Service recognises the need to operate more collaboratively, and more entrepreneurially, to maximise its efficiency and effectiveness.
- 111 Until recently, the Council had a reactive approach to managing the performance of its land and property assets. It has now adopted a more proactive approach to performance monitoring and management, but there is scope to strengthen the way performance is reported and used to inform decision-making.
- 112 A scrutiny task and finish group review of the Council's agricultural estate led to more robust rationalisation of the estate, including a greater willingness to dispose of non-strategic sites, and a reduction in the maintenance backlog. The Council is reinvesting in the maintenance of remaining smallholdings, and councillors accept that the original rationale for retaining smallholdings as a source of employment opportunities is no longer valid.
- 113 The Council does not have an up-to-date corporate asset management strategy, or an acquisitions and disposals policy. The expired strategy, 2009-10 to 2014-15, involved a very traditional approach to asset management. However, the Council is now consulting on a new asset management strategy which aims to address these shortcomings.

## Staff receive effective ICT support, but there is further potential to promote the wider exploitation of technology to create efficiencies across the Council

- 114 The Council has an ICT Department, led by a suitably qualified and experienced manager and supported by a cohesive management team with a diverse range of skills and experience. The ICT management team has members who focus on technical delivery areas as well as those whose role is to liaise with other teams in the Council as designated business partners. These two functions appear to support each other and work well together. The ICT service has a long and strong track record of meeting users' needs. The service is also held in high regard by its users within the Council, and is responsive in supporting their technology needs. The service has, for example, successfully supported the introduction of new housing management systems.
- 115 The ICT business partner approach appears to be effective, and has the potential to be a strong driver for improvement, although currently it is only operational within a limited number of service delivery departments. Several major departments still manage their own IT support, as do schools. There is scope to make progress with bringing these into the central IT service. In principle, technology purchases are all required to be agreed by the Head of ICT, but in practice this is not always the case, for example with the Contact 360 and sundry debtors systems. A recent Internal Audit report notes that current arrangements have not always involved ICT sufficiently in the procurement and implementation of new systems. Current arrangements have allowed enthusiastic managers too great a measure of control and this has led to mistakes in procurement and it is unclear if value for money can always be demonstrated.
- 116 The Council's IT and Information Strategies do not link well to each other or to the Corporate Strategy. Consequently, it is not always clear how the ICT service is expected to contribute to and support corporate goals. There is also a digital strategy for the Council, which is focused on customer service and in particular the potential of digital technology to help transform services and customer contact methods. However, this is not part of the ICT service's current remit and they have had little involvement in its development. As a result, although the Head of ICT's role nominally includes transformation, the ICT service is not in a position to fully contribute to this.

**The Council is developing its approach to information management, with some good initiatives underway, and opportunities exist to develop a more robust and integrated information strategy**

- 117 The Council has information governance arrangements in place with a suitably trained Senior Information Risk Owner (SIRO). However, the current arrangements do not include the expected range of staff from around the organisation, and fall short of the attendance proposed by international standards. This potentially weakens arrangements, although the current information governance arrangements appear to work effectively for compliance focused information issues. However, these arrangements cannot take full account of the business needs for information as they do not involve service representatives. As a result services do not have the opportunity to feed in their requirements for information nor help form the information strategy going forward.
- 118 Performance relating to breaches and processing Freedom of Information (FOI) and Data Protection Act (DPA) requests are reported in an annual SIRO report. This report is effective in conveying the key issues of compliance on an annual basis. There have not been any significant breaches in the last year, although as a result of previous issues with some services, the Council has increased its focus on support for these areas. The Council processes over 90% of its FOI and DPA requests in the required timeframe.
- 119 The Council runs regular DPA/FOIA training courses using e-learning tools. It also provides more detailed classroom sessions to groups of staff who receive more requests for information such as social care and education. The e-learning training has reached 96% of staff and attendance is recorded centrally, enabling new courses and refresh courses to be properly targeted. The Council has also developed training for records management.
- 120 The Council's Digital Mail Room and Digital Records Bureau are effective at reducing the increase in paper volume and managing the flow of information into the Council. The Digital Mail Room, has only been running for a year, but already it is having a significant impact on the flow of documents through the Council. The Digital Mail Room scans incoming mail and puts it in the EDRMS (Electronic Document and Records Management System). An email containing a link to the document is sent to the recipient. The original mail item is kept for three months and then destroyed. The Council is therefore compliant with the legal standard for mail scanning.

- 121 It is clear the Council's reliance on its EDRMS is growing. Implementation is gathering pace and further significantly reducing the amount of paper in the offices. This approach also supports the office accommodation strategy and the agile and flexible working approach. There will be a slight change in the focus of the EDRMS project in 2017 as it will also look at where the paper comes from and seeks to re-engineer processes to reduce paper generation as well as digitise the paper that is used. This is a positive step forward.

## Other audit, regulatory and inspection work reported during 2016-17

Exhibit 3: other audit, regulatory and inspection work reported during 2016-17

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Use of resources</b>			
November 2016	<p><b>Annual audit letter 2015-16</b></p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>The Council complied with its responsibilities relating to financial reporting and use of resources.</li> <li>A certificate confirming that the audit of the accounts has been completed has not yet been issued.</li> <li>The Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.</li> <li>Work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems.</li> </ul>	None.
<b>Improvement planning and reporting</b>			
May 2016	<p><b>Wales Audit Office annual improvement plan audit</b></p> <p>Review of the Council's published plans for delivering on improvement objectives.</p>	The Council has complied with its statutory improvement planning duties.	None.

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Reviews by inspection and regulation bodies</b>			
November 2016	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None.
July 2016	<b>Care and Social Services Inspectorate Wales (CSSIW)</b> National review of domiciliary care in Wales – Denbighshire County Council	<p><a href="#"><u>National review of domiciliary care in Wales – Denbighshire County Council</u></a></p> <p><b>Analysis</b></p> <ol style="list-style-type: none"> <li>1. The local authority has not sufficiently developed its market intelligence and, as a consequence, has produced a market position statement that does enable providers to plan their future role and function.</li> <li>2. As a consequence, providers are unsure of the direction of travel, future demand, future resourcing and how the local authority will continue support those in need of care and support at home.</li> <li>3. The arrangements for domiciliary care commissioning are weak, with a corresponding risk that the current model of procurement is becoming unsustainable. A culture has developed that encourages the lowest bid against indicative fees and this has resulted in contracts being awarded primarily on price. Providers have increasingly bid lower to secure contracts and this has reduced local authority expenditure. However, this has been at the expense of market stability, most evident in the emergence of increasing recruitment and retention difficulties in a sector that already faces significant challenges in making care a more attractive profession.</li> </ol>	<p>The report identified eight areas for consideration:</p> <ol style="list-style-type: none"> <li>1. The local authority needs to urgently review its commissioning strategy if it is to address the significant risks to market stability in the domiciliary care sector.</li> <li>2. Learning from best practice that has delivered effective commissioning models elsewhere.</li> <li>3. Market intelligence is underdeveloped and the local authority needs to better understand factors that are central to its role as a facilitator and the information required by providers to incentivise and encourage sustainable investment in local care services.</li> <li>4. The development of a market position statement that is market facing.</li> <li>5. The development of a fee model that places quality of care at its heart and rewards providers who invest in sustainable recruitment, retention and training of care workers.</li> </ol>



Issue date	Brief description	Conclusions	Proposals for improvement
		<p>4. A fragile relationship with providers has therefore developed with some actively considering market exit strategies.</p> <p>5. There are considerable risks to the sustainability of the local domiciliary care market and this is having an impact upon people who currently use services, who are increasingly not being well served.</p> <p>6. Too many visits of 15 minutes' duration are being commissioned by the local authority and this is driving unrealistic and unreasonable expectations of provider staff to support people in timeframes that afford neither dignity nor respect.</p>	<p>6. The development of a new relationship with providers as equal partners in the planning and delivery of care services.</p> <p>7. Reviewing the procurement of 15 minute calls to meet personal care needs and the subsequent impact of this on people and those providing care.</p> <p>8. The development of care and support plans that are person-centred and outcome focused which recognise the contributions of all concerned in enabling the continued independence of people living at home.</p>

# Appendix 1 – Status of this report

## Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement.

The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General’s duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

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

# Appendix 2 – Annual Audit Letter

Dr Mohammed Mehmet  
Chief Executive  
Denbighshire County Council  
County Hall  
Wynnstay Road  
Ruthin  
Denbighshire  
LL15 1YN

28 November 2016

Dear Dr Mehmet

## Annual Audit Letter – Denbighshire County Council 2015-16

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

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

It is Denbighshire County Council (the Council)'s responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2016 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Corporate Governance Committee in my Audit of Financial Statements report on the 28 September 2016, and a more detailed report will follow in due course.

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

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

**I have not yet issued a certificate confirming that the audit of the accounts has been completed**

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by a local authority elector. I am satisfied that these matters do not have a material impact on the financial statements.

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

A more detailed report on my grant certification work will follow in 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely

**Anthony Veale**  
**For and on behalf of the Auditor General for Wales**

cc: Councillor Hugh Evans – Leader

# Appendix 3 – national report recommendations 2016-17

## Exhibit 4: national report recommendations 2016-17

Date of report	Title of review	Recommendation
August 2016	<a href="#">Financial Resilience of Local Authorities in Wales 2015-16</a>	<p>In our report of 2014-15 (<b>The Financial Resilience of Councils in Wales</b>, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> <li>• developing more explicit links between the MTFP and its corporate priorities and service plans;</li> <li>• aligning other key strategies such as workforce and asset management plans with the MTFP;</li> <li>• developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget;</li> <li>• categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and</li> <li>• ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned.</li> </ul> <p>R2 Local authorities should develop corporate income generation and charging policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop key performance indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p>

Date of report	Title of review	Recommendation
October 2016	<a href="#"><u>Community Safety in Wales</u></a>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services;</li> <li>• ensuring performance information covers the work of all relevant agencies; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny.</li> </ul> <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> <li>• developing plans and priorities for community safety;</li> <li>• agreeing priorities for action; and</li> <li>• reporting performance and evaluating impact.</li> </ul>

Date of report	Title of review	Recommendation
November 2016	<a href="#"><u>Charging for Services and Generating Income by Local Authorities</u></a>	<p>This report made eight recommendations, of which six required action from local authorities. <b>Recommendations R4</b> and <b>R6</b> required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the MTFP and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> <li>• regularly reporting any changes to charges to scrutiny committee(s);</li> <li>• improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;</li> <li>• benchmarking and comparing performance with others more rigorously; and</li> <li>• providing elected members with more comprehensive information to facilitate robust decision making.</li> </ul> <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>



Date of report	Title of review	Recommendation
January 2017	<a href="#"><u>Local Authority Funding of Third Sector Services</u></a>	<p>This report made three recommendations, of which two required action from local authorities. <b>Recommendation R3</b> required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third-sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third-sector bodies in developing their working practices, we recommend that local-authority and third-sector officers use the <a href="#"><u>Checklist for local authorities effectively engaging and working with the third sector</u></a> to:</p> <ul style="list-style-type: none"> <li>• self-evaluate current third-sector engagement, management, performance and practice;</li> <li>• identify where improvements in joint working are required; and</li> <li>• jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation.</li> </ul> <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third-sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: [post@archwilio.cymru](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)