

## Merthyr Tydfil County Borough Council Annual Audit Summary 2022

This is our audit summary for Merthyr Tydfil County Borough Council. It shows the work completed since the last Annual Audit Summary, which was issued in January 2022. Our audit summary forms part of the Auditor General for Wales' duties.



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

### About the Council

#### Some of the services the Council provides



#### Key facts

The Council is made up of 30 councillors who represent the following political parties:

- Labour 15
- Independent 15

The Council spent £116.4 million on providing services<sup>1</sup> during the 2021-22<sup>2</sup> financial year.

As at 31 March 2022, the Council had £41.7 million of useable financial reserves<sup>3</sup>. This is equivalent to 35.8% of the Council's annual spending on services<sup>4</sup>.

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

<sup>2</sup> Source: 2021-22 Statement of Accounts.

<sup>3</sup> We define usable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools' balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

<sup>4</sup> Source: 2021-22 Statement of Accounts

## Key facts

Just over a fifth of the 36 areas within the county borough are considered to be within the most deprived 10% of areas in Wales, this is the second highest of the 22 unitary councils in Wales<sup>5</sup>.

The population of Merthyr Tydfil is projected to increase by 4% between 2020 and 2040 from 60,600 to 63,200. The projection assumes a 4% decrease in the number of children, no change to the number of the working-age population and a 27% increase in the number of people aged 65 and over<sup>6</sup>.

## The Auditor General's duties

### We completed work during 2021-22 to meet the following duties

- **Audit of Accounts**

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

- **Value for money**

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

- **Sustainable development principle**

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

<sup>5</sup> An area in this context is defined as a 'Lower Super Output Area'. Source: Stats Wales

<sup>6</sup> Source: Stats Wales

## What we found

### Audit of Merthyr Tydfil County Borough Council's 2021-22 Accounts



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

Each year we audit the Council's financial statements.

#### **For 2021-22:**

- the Auditor General gave an unqualified true and fair opinion on the Council's financial statements with an emphasis of matter paragraph drawing attention to a disclosure note within the financial statements. The opinion and certificate confirming the completion of the audit of accounts for 2021-22 were dated 23 January 2023, ahead of the revised Welsh Government deadline of 31 January 2023.
- the Council's Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were also consistent with the financial statements prepared by the Council and with our knowledge of the Council.
- the quality of the Council's draft financial statements presented for audit on 29 June 2022 was generally acceptable, but a number of changes were required to correct for misstatements arising from our audit work. These were reported to the Governance and Audit Committee in our Audit of Financial Statements Report on 16 January 2023, alongside five recommendations to strengthen the Council's systems and procedures used to prepare the financial statements.
- in addition to the Auditor General's responsibilities for auditing the Council's financial statements, he also has responsibility for the certification of a number of grant claims and returns. We have commenced our work and to date have not identified any significant issues. We shall report our conclusions to a future Governance and Audit Committee.

## Assurance and risk assessment review

We reviewed the arrangements the Council has put in place to secure value for money in the use of its resources. Our work focused on the following aspects of the Council's arrangements:

- The Local Government and Elections (Wales) Act 2021
- Self-assessment arrangements
- Carbon reduction plans
- Financial position

Our findings from this work are set out in our [Assurance and Risk Assessment Review](#).

## Springing forward review – assets and workforce

During 2021-22, we examined how councils are strengthening their ability to transform, adapt and maintain the delivery of services. Our work focused on the Council's strategic management of its assets and workforce. For assets, we found that the Council can demonstrate that it is applying the sustainable development principle in some of its asset plans, but needs to ensure that this approach underpins its strategic asset management more broadly, and is supported by robust review and monitoring arrangements. For workforce, we found that the Council's priority has been to build its workforce capacity to maintain service delivery and it now needs to focus on strategic workforce planning to strengthen its ability to deliver services over the medium to longer term.

## Cwm Taf Morgannwg Regional Partnership Board – Transformation Leadership Programme Board – Baseline Governance Review

Our review sought to answer the question: Are the Transformation Leadership Programme Board arrangements supporting the four bodies to develop effective and sustainable approaches to regional working? Overall, we found that the Transformation Leadership Programme Board is well placed to develop stronger regional working, building on the productive relationships over the past 18 months. However, it needs to ensure its planning is more integrated and longer term, strengthen aspects of its governance arrangements and be more ambitious in using its combined core resources to have a greater impact on the Cwm Taf Morgannwg region.

## Other inspectorates

We also took into account the reports of Care Inspectorate Wales (CIW) and Estyn as well as any subsequent actions taken by the Council in response. CIW have continued with their engagement activity, but have not published any reports on the Council since our last Annual Audit Summary. Estyn published [a report on education services](#) in March 2022.

## **Local government studies**

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

### **Joint working between Emergency Services (January 2022)**

This report examines whether emergency services in Wales are working more closely together to make better use of resources. Joint working across emergency services to make best use of resources is not a new concept. Emergency services have been working closely together to provide a better service to the public for many years. Innovative partnership initiatives have saved money, reduced local response times and have contributed to protecting the public. Despite this, there are growing expectations from government policy and legislation that collaboration needs to happen more deeply and quickly to ensure front line services can meet the challenges facing 21st century Wales. Overall, we concluded that blue light emergency service collaboration is slowly growing but requires a step change in activity to maximise impact and make the best use of resources.

### **Direct Payments (April 2022)**

Direct Payments are an alternative to local-authority-arranged care or support and can help meet an individual's or a carer's need. They aim to give people more choice, greater flexibility and more control over the support they get. Our report looked at how Direct Payments help sustain people's wellbeing and whether they are improving quality of life. We also looked at how local authorities manage and encourage take up of Direct Payments and whether these services present value for money. We found that Direct Payments are highly valued, with the people we surveyed acknowledging that they help them remain independent. But we also found that managing and supporting people to use Direct Payments varies widely resulting in service users and carers receiving different standards of service.

### **'Time for Change' – Poverty in Wales (November 2022)**

Poverty in Wales is not a new phenomenon and tackling poverty, particularly child poverty, has been a priority for both the Welsh Government and councils in Wales. The current cost-of-living crisis means that more people are being affected and families who have been living comfortably are moving into poverty for the first time. Many of the levers that could be used to alleviate poverty are outside of Wales's control. The Welsh Government adopted a Child Poverty Strategy in 2011, but this is out of date and the target to eliminate child poverty by 2020 was dropped. Councils and partners are prioritising work on poverty, but the mix of approaches and a complicated partnership landscape mean that ambitions, focus, actions, and prioritisation vary widely. The Welsh Government makes significant revenue funding available but, due to the complexity and nature of the issues, the total level of spend is unknown, and no council knows the full extent of its spending on alleviating and tackling poverty. The short-term nature of grant programmes, overly complex administration, weaknesses in guidance and grant restrictions, and difficulties spending monies means that funding is not making the impact it could. Councils find it hard to deliver preventative work because of the sheer scale of demand from people in crisis.

## **‘A missed Opportunity’ – Social Enterprises (December 2022)**

Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. Social enterprise work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. While local authorities claim they value Social Enterprises, few have mapped their activity and most authorities do not know the scale of provision within their area. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector. As a result, local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people’s quality of life. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage because they are overly bureaucratic. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities. Most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises.

## **‘Together we can’ – Community resilience and self-reliance (January 2023)**

At a time when there is likely to be further reductions in public spending, local authorities are showing an increasing interest in encouraging and growing community resilience; equipping people to do more for themselves and be less reliant on the state. While 19 of the 22 local authorities are prioritising community resilience, too often the work is poorly defined and the actions that underpin plans are narrowly focussed. Given the societal, financial and demographic challenges facing Wales there is a need to scale and speed up activity. Capacity, resources and skills are scarce, people are facing tougher choices and struggling to cope with the cost-of-living crisis. Communities and local authorities themselves also have different abilities and are starting from different places with their own unique challenges to overcome. We highlight positive practice and examples of how others are seeking to address the challenge of enabling people to be less reliant on local authority services and how they are supporting and enabling this transition.

## **Planned work for 2022-23**

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

Our planned work for 2022-23 includes:

- Assurance and risk assessment including a focus on:
  - Financial position
  - Capital programme management
  - Use of performance information – with a focus on service user feedback and outcomes
  - Setting of well-being objectives

- Ongoing progress against the recommendations in our March 2021 report entitled ‘assessment of progress to address key concerns’
- A consideration of other core arrangements and services eg leisure, service planning and self-evaluation, whistleblowing arrangements and information management
- Thematic review – unscheduled care. This review covers the health and local government sectors
- Thematic review – digital

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

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

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

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

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

This document is also available in Welsh.