

Assurance and Risk Assessment Review – Newport City Council

Audit year: 2021-22

Date issued: November 2022

Document reference: 3210A2022

This document has been prepared as part of work performed in accordance with Section 17 of the Public Audit (Wales) Act 2004 and Section 15 of the Well-being of Future Generations (Wales) Act 2015.

No responsibility is taken by the Auditor General or the staff of Audit Wales in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at info.officer@audit.wales.

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.

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

Contents

What we reviewed and why	4
Financial position – the Council understands its improved financial position, acknowledges future uncertainties, and is taking measures to transform its service delivery for future sustainability	5
The Council has made good progress in the implementation of the Local Government and Elections (Wales) Act 2021	8
The Council has developed a vision and action plan to achieve net zero carbon emissions by 2030 but is uncertain if its plan will achieve this target	8
The Council has made good progress to establish its Newport Intelligence Hub but further action is required to broaden its utilisation and impact	10

What we reviewed and why

- 1 We undertook this project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. This project also helped us to assess the extent to which the Council is applying the sustainable development principle in taking steps to meet its well-being objectives.
- 2 This report summarises our findings in the areas where we have undertaken more detailed Assurance and Risk Assessment work. We will also produce an Annual Audit Summary in the autumn of 2022 that will summarise all of our audit work undertaken since our last Annual Audit Summary in January 2021.
- 3 We focused in particular on the following areas at the Council:
 - financial position
 - implications of the Local Government and Elections (Wales) Act 2021
 - carbon reduction plan
 - Newport Intelligence Hub
- 4 Our evidence base for this work included interviews with senior officers, reviewing relevant documents and holding focus groups.
- 5 The Assurance and Risk Assessment project has been ongoing throughout the year. We fed back emerging findings to officers as we undertook this work, and also held a workshop with the Council's Cabinet and Corporate Management Team in March 2022 at which we shared emerging findings in relation to some aspects of this work. We also used the workshop to gather the perspectives of senior managers on the key audit risks in relation to the Council and to inform our forward planning.

Recommendations

Exhibit 1: recommendations

The table below sets out the recommendations that we have identified following this review.

Carbon Reduction planning arrangements

- R1 The Council should ensure its proposed actions to reach net zero carbon by 2030 are:
- fully costed in terms of their carbon reduction impact to enable them to be evaluated and prioritised; and
 - fully reflected in its financial planning.

Carbon Reduction monitoring of progress

- R2 The Council should develop a robust and comprehensive set of metrics that support each planned action to measure, forecast impact and report progress to net zero carbon by 2030.

Financial position – the Council understands its improved financial position, acknowledges future uncertainties, and is taking measures to transform its service delivery for future sustainability

- 6 We reviewed the Council's financial position during August 2022. This included consideration of the Council's financial reserves position, the delivery of planned savings and performance against the planned budget for the year.
- 7 Overall, we found that the Council understands its improved financial position, acknowledges future uncertainties, and is taking measures to transform its service delivery for future sustainability.
- 8 We reached this conclusion because:
- the Council understands its current financial position and a range of potential future uncertainties and is making early steps toward transforming into a more financially sustainable delivery model. However, medium-term financial planning will continue to rely on a range of assumptions, and when coupled with the changing socio-economic landscape in this period of significant economic uncertainty, planning for financial resilience and future budget rounds will continue to be challenging for councils.

- the Council's usable reserves, detailed below in **Exhibit 2**, increased by £38.5 million (38%) in the year ending March 2022 to £140 million, although much is held for specific purposes such as future Private Finance Initiative obligations.

Exhibit 2: the Council's usable reserves increased by £38.5 million (38%) in the year ending March 2022 to £140 million

Newport	Amount of Usable Reserves as a proportion of Net cost of services					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net Cost of Services in £ Millions ¹	277.5	284.5	294.0	299.8	290.8	337.3
Usable revenue reserves not protected by law in £ Millions	95.4	94	94.7	78.8	101.5	140.0
Total Usable Reserves not protected by law as a % of net cost of services	34.4%	33.0%	32.2%	26.3%	34.9%	41.5%
Total Usable Reserves not protected by law as a % of net cost of services – Comparison ranking with all other Welsh Councils (1 = Highest)	1st	2nd	2nd	5th	5th	Not yet available

Source: Audit Wales analysis of the Statement of Accounts of Newport City Council

- the Council continues its good record of achieving savings, achieving 94% (£3.2 million) of its £3.4 million of revenue savings in 2021-22. The Council included a further £812,000 of savings to its 2022-23 revenue budget but does not currently plan further savings in its revenue budgets for 2023-24 or 2024-25.
- the Council has set a balanced revenue budget for 2022-23 and has identified a funding gap of £2 million in 2023-24 and £2 million in 2024-25.

¹ Source: Newport City Council, Statement of Accounts, Net Cost of Services is stated Net Cost of Services (without Housing Revenue Account) + precepts + levies + debt interest

- the Welsh Government’s indicative funding settlements on an all-Wales basis of 3.5% and 2.4% respectively for 2023-24 and 2024-25 provide a degree of funding certainty over the medium term. However, medium-term financial planning will continue to rely on a range of assumptions, and when coupled with the changing socio-economic landscape in this period of significant economic uncertainty, planning for financial resilience and future budget rounds will continue to be challenging for councils.
- the Council reported an underspend of £18.4 million against the £315.9 million in its revenue budget for 2021-22 (6% underspend). The underspend is summarised below:

Exhibit 3: underspends

Underspends across all service areas due to changes in service provision and working practices caused by COVID.	£7.8 millio
Receipt of significant one-off Welsh Government funds over and above that received from the ‘Hardship Fund’ for COVID-specific expenditure and lost income.	£3.0 millio
Underspends on capital financing.	£4.3 millio
The Council not needing to use its general revenue contingency budget.	£1.4 millio
Underspends against council tax reduction scheme and council tax income.	£1.9 millio
Total underspend against 2021-22 revenue budget.	£18.4 million

- 9 We also published a [Local Government Financial Sustainability Data Tool](#) in February 2022 which includes a range of financial data for councils, national parks and fire and rescue authorities in Wales.

The Council has made good progress in the implementation of the Local Government and Elections (Wales) Act 2021

- 10 We reviewed the Council's responses to the Local Government and Elections (Wales) Act 2021 in May 2022.
- 11 Overall, we found that the Council has made good progress in implementing the Local Government and Elections (Wales) Act.
- 12 We reached this conclusion because:
- the Council has reconstituted its Governance and Audit Committee to meet the requirements of the Act.
 - the Council intends to integrate the annual self-assessment within its annual Corporate Well-being Report (Annual Report) to assess the overall performance and governance of the organisation and that the Council intends to produce the first Annual Report in September 2022. The Council is also clear on the enhancements it needs to make to its previous Annual Report to meet the requirements of the Act.
 - the Council has an approved Participation Strategy and has put in place appropriate supporting arrangements for engagement with local people and its other stakeholders.
 - in common with other Welsh councils, the Council is currently engaging with the Welsh Local Government Association to develop the arrangements and resources required to undertake Panel Assessments.

The Council has developed a vision and action plan to achieve net zero carbon emissions by 2030 but is uncertain if its plan will achieve this target

- 13 In July 2022, the Auditor General published Public Sector readiness for Net Zero Carbon by 2030, which looked at decarbonisation actions in 48 public bodies, including all councils. This report found uncertainty that the collective ambition for a net zero public sector by 2030 will be met. Our work identified significant, common barriers to progress that public bodies must collectively address to meet the collective ambition. We found that while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions.

- 14 In the report, the Auditor General makes the following five calls for action from public bodies:
- strengthen your leadership and demonstrate your collective responsibility through effective collaboration;
 - clarify your strategic direction and increase your pace of implementation;
 - get to grips with the finances you need;
 - know your skills gaps and increase your capacity; and
 - improve data quality and monitoring to support your decision making.
- 15 The following paragraphs set out the findings of our local audit work on the Council's decarbonisation action plan. These findings sit within the wider context of the Auditor General's July 2022 report that calls for increased pace and stronger leadership across Wales in reducing carbon emissions.
- 16 Overall, we found that the Council has developed a vision and action plan to achieve net zero carbon emissions by 2030, but is uncertain if its plan will achieve this target.
- 17 We reached this conclusion because:
- the Council has a clear vision for achieving net zero carbon by 2030 that is also complementary to the actions of other public bodies.
 - the Council's vision and action plan to achieve net zero carbon contains numerous actions the Council will take to lower its own carbon emissions to net zero by 2030. These actions have yet to be fully costed and still need to be built into the Council's Medium-Term Financial Strategy and Capital Programme. We understand the challenges of assessing the financial cost and carbon impact of decarbonisation actions, but this data will be key to prioritising actions that deliver the greatest returns and understanding funding requirements.
 - within the Council, the Climate Change plan contains priorities and actions for its own services, such as Waste, Digital, Building Control, Schools, Procurement, as well as partnership working with Newport Norse, Public Transport and Natural Resources Wales. However, the Council cannot assure itself that the entirety of its planned activities will have sufficient impact to achieve net zero carbon status by 2030. We include within this report a recommendation for the Council to support its planned activities with a suite of metrics that include time profiled targets for impact together with some financial planning arrangements.
 - the Council demonstrates an understanding of the need for reducing carbon emissions within Newport and identifies the broad range of actions needed to respond to the challenge within its Local Area Energy Plan (LAEP)².

² [Newport City Council, Newport's Local Area Energy Plan, March 2022](#)

- the Council carried out extensive and effective consultation with residents, businesses, school children and other stakeholders as part of developing its current carbon reduction plan.
- the Council can demonstrate how it has started to collaborate with other organisations to deliver carbon reduction initiatives. Two examples of this collaboration are: with One Newport partners to develop a Climate Strategy for the city; and a second example being working with Egni Co-op, a community organisation that funds and manages Photo Voltaic installation in Wales.
- the Council has begun investing in officer capacity for its carbon reduction arrangements, but acknowledges that further significant investment is required as its carbon reduction activities increase.
- the Council can offer examples of how it is learning from other councils to enhance its own arrangements for carbon reduction.

The Council has made good progress to establish its Newport Intelligence Hub but further action is required to broaden its utilisation and impact

- 18 During the period November 2021 to May 2022, we carried out a short review of the Council's Intelligence Hub, to consider:
- the extent that the Council is achieving the design principle of its Corporate Plan to make evidence based decisions;
 - the depth and breadth of the Intelligence Hub's utilisation within the Council's thinking; and
 - the appreciation, reliance and expectation of data and informatics by senior officers of the Council.
- 19 The aim of the project was to provide an assessment of progress so far and, where possible, to identify any areas for improvement.
- 20 Our work included document reviews, interviews and group discussions with Council staff and a short survey of senior Council officers.
- 21 Overall, we found that whilst the Council has made good progress to establish its Newport Intelligence Hub further action is required to broaden its utilisation and impact.
- 22 We reached this conclusion because:
- the Council's Intelligence Hub could provide examples of where and when their involvement in data management and visualisation within Council projects has provided greater insight leading to greater impact in Council decision-making; and
 - we identified inconsistent awareness and utilisation of the Intelligence Hub by directorates of the Council.

23 We facilitated a workshop of Council officers involved in the management and technical activities of the Intelligence Hub, to discuss the above findings and possible actions to take in response. Some actions to further improve the Newport Intelligence Hub will be included in the forthcoming Service Improvement Plan. Examples include:

- increase awareness of the Newport Intelligence Hub across the Council, highlighting its products, achievements, and potential future contributions;
- increase engagement with all departments of the Council, with particular focus where engagement has previously been low;
- seek opportunities for collaborative working; and
- develop and offer specialist and technical training within the Council.



Audit Wales

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.