

Assurance and Risk Assessment Review – Vale of Glamorgan Council

Audit year: 2021-22

Date issued: October 2022

Document reference: 3211A2022

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 infoofficer@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	5
Implications of the Local Government and Elections (Wales) Act 2021	6
Carbon reduction plans	7
Appendix 1 – Leisure contract extension letter	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 wellbeing 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 2022.
- 3 We focused in particular on the following areas at the Council:
 - financial position
 - implications of the Local Government and Elections (Wales) Act 2021 including self-assessment arrangements
 - carbon reduction plans
- 4 Our evidence base for this work included conversations with officers and reviewing relevant documents.
- 5 During the year, we also wrote to the Council raising concerns about the extent to which the Council had applied the sustainable development principle as part of its leisure contract extension. This followed on from our previous report on leisure in 2020 where we had made specific proposals for improvement for the Council to strengthen its application of the sustainable development principle. The letter is included at **Appendix 1**. We were reassured by the Chief Executive's response to our concerns. As part of our 2022-23 performance audit work, we will be doing a review to gain assurance that the Council has effective arrangements for ensuring that service areas are applying the sustainable development principle.
- 6 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 Senior Leadership 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.

Financial position

The Council remains well-placed to maintain its financial resilience, has increased its usable reserves but needs to determine how it will meet its budget gap over the medium term

- 7 We concluded our review of the Council's financial position in July 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.
- 8 Overall, we have found that the Council, in line with our August 2021 financial sustainability report¹, remains well-placed to maintain its financial resilience and has a healthy level of reserves. The Council has reported a 2021-22 year end deficit of £13,000, but this is after the transfer of just over £18 million into reserves.
- 9 **Exhibit 1** shows that in recent years the Council has compared favourably with other Councils in Wales in respect of its amount of usable reserves as a percentage of net cost of services.

Exhibit 1: amount of usable reserves versus annual budget

This exhibit shows the amount of usable reserves the Council had at the end of 2021-22 and the previous five years as a proportion of the net cost of the services the Council delivers².

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net cost of services in £ millions ³	245.4	234.4	241.5	248.6	256.2	286.7
Total usable reserves in £ millions ⁴	76.7	78.7	81.2	83.0	92.2	110.8
Total usable reserves as a percentage of net cost of services	31.3%	33.6%	33.6%	33.4%	36%	38.6%
Comparison with the other councils of Wales	2	1	1	1	4	Not yet available

¹ [Financial Sustainability Assessment - Vale of Glamorgan Council - August 2021](#)

² Source: 2016-17–2020-21: Audit Wales [financial sustainability data tool](#); 2021-22: Council's draft accounts.

³ Value used is the net 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.

⁴ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose.

- 10 Taking into account the indicative increases provided by Welsh Government for 2023-24 and 2024-25, the Council has estimated a potential shortfall of £15.7 million over that period. The Council will need to set out how it plans to meet that gap and address any other emerging pressures in the next iteration of its Medium Term Financial Plan.
- 11 The Council has a mixed track record of delivering its savings targets. Although the Council achieved its significantly reduced savings target of £247,000 in 2020-21, there was a shortfall of £120,000 against its £500,000 target for 2021-22. The Council is rolling forward these unachieved savings to 2022-23.
- 12 The Council has particular budgetary pressures in social services and waste services, but has plans in place to address them. The Council increased its budgets for both services for 2022-23. There is planned use of reserves in social services, for example for additional staff due to rising demand. The waste service has produced a new 10 year strategy and business plan aimed at addressing the funding gap that has been in the service for a number of years.
- 13 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.
- 14 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 tool can be accessed via the following link – [Financial Sustainability data tool](#).

Implications of the Local Government and Elections (Wales) Act 2021

The Council is taking appropriate steps to respond to the requirements of the Local Government and Elections (Wales) Act 2021

- 15 We gave high level consideration to the arrangements the Council is putting in place to respond to the Local Government and Elections (Wales) Act 2021 (the 2021 Act). Overall, we are assured about the actions the Council has taken, and plans to take, to meet the requirements of the Act.
- 16 The Council has put in place sound arrangements to facilitate the development of its self-assessment, and is determining its plans for its panel performance assessment. The Council set up a working group that met regularly to consider the implications of the 2021 Act. The Council included a related risk on its corporate risk register and identified a suite of mitigating actions to address the risk.

- 17 The 2021 Act requires councils to keep performance under review, and consult and report on performance through a self-assessment. Councils must publish a self-assessment of their performance for each financial year. The Council has a plan for producing the self-assessment itself and at the time of writing there are currently five directorate level self-assessments in draft. Internal challenge sessions are planned where Directors will present their draft self-assessments to the relevant Cabinet Member, Chief Executive, a peer Director and the chair of the relevant scrutiny committee. It is proposed that Governance and Audit Committee will consider the draft self-assessment in September 2022.
- 18 Following public consultation, the Council has published its public participation strategy in accordance with the 2021 Act. The draft strategy went to Cabinet and the Corporate Performance and Resources Scrutiny Committee in April 2022.
- 19 The Council plans to carry out its consultation duty over the summer to inform its draft self-assessment.
- 20 The Council has set up its new Governance and Audit Committee (GAC) in line with the requirements of the 2021 Act. Membership of the Committee now includes three lay members and is chaired by a lay member. The Council has developed a new terms of reference for the GAC and has provided training to the committee, including information about the committee's role and the 2021 Act.

Carbon reduction plans

Context

- 21 In July 2022, the Auditor General published **Public Sector readiness for Net Zero Carbon by 2030**⁵, 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.
- 22 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.

⁵ <https://www.audit.wales/news/uncertainty-ambition-net-zero-public-sector-will-be-met-according-auditor-general>

- 23 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.

The Council is taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2030, but recognises that further work is needed in terms of resourcing its plans

- 24 We reviewed the Council's plans for carbon reduction and spoke with relevant council officers in May 2022. Our work included a focus on the clarity of the Council's vision, its approach to partnership working, and arrangements for monitoring and reviewing progress.
- 25 The Council has a clear vision of what it wants to achieve. The Council has declared a climate emergency and has initiated 'Project Zero' as a response to that. As part of Project Zero the Council have produced a Climate Change Challenge Plan 2021-2030. The Council understands how its decarbonisation/climate change activity has wider impacts, such as in respect of the national well-being goals and the Council's four well-being objectives, although its Challenge Plan doesn't explicitly articulate those connections.
- 26 The Council is funding additional staff resource in 2022-23, and there is currently £600,000 in its Project Zero reserve and £650,000 in its green infrastructure and climate change reserve. There are also two other earmarked reserves related to the delivery of Project Zero. The Council states that the identified reserve funding will not be sufficient in itself and that further work to leverage additional funding will be required. There are national skills gaps that the Council, in common with other Local Authorities, will need to seek to mitigate as the decarbonisation agenda grows in pace and importance. In order to meet its net zero ambition, the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.
- 27 The Council understands the challenge it is faced with and is taking its net zero agenda forward. The Council understands the risks and opportunities that present themselves from the challenge of achieving net zero carbon status by 2030. The Council's corporate risk register includes the risk of 'Environmental Sustainability' and forecasts that this risk will rise over time. The Council are developing a staff training programme and Project Zero will be part of the member induction programme. The Council recognises that improving the quality of its emissions data is an area of focus going forward.
- 28 The Climate Change Challenge Plan has a strong focus on partnership working. The Council is already working with some community groups and is taking steps to increase staff levels so that it can also work more closely with Town and Community Councils and the third sector. The Council is represented on various all Wales officer groups in relation to decarbonisation, and on the PSB joint asset management/climate change group, and seeks to share knowledge of decarbonisation initiatives with other organisations.

- 29 The Climate Change Challenge Plan recognises the Council's community leadership role and the challenge to 'engage with the community and listen to their priorities for tackling climate change and protecting our natural resources, supporting them to make a difference and to shape our collective ambitions'. The Challenge Plan acknowledges that 'involvement' (alongside the other ways of working set out in the Well-being of Future Generations (Wales) Act 2015) is essential if it is to achieve its goals. The Council will need to ensure that those persons that it involves in its decarbonisation plans reflect the diversity of the population.
- 30 The Council has governance arrangements in place to oversee its Project Zero agenda. It set up a Project Zero Board in late 2021, chaired by the Chief Executive. A Project Zero update report was presented to Cabinet, the Corporate Performance and Resources Scrutiny Committee and the Environment and Regeneration Scrutiny Committee in the first quarter of 2022 and the intention is for progress to be reported three times per year to these forums.

Recommendation

Exhibit 2: recommendation

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

Recommendation	
R1	In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.

Appendix 1

Mr Rob Thomas
Chief Executive
Vale of Glamorgan Council
Holton Road
Barry CF63 4RU

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

BY EMAIL

Date issued: 23 March 2022

Dear Rob

Application of the sustainable development principle in the leisure contract extension

Thank you for your letter of 7 February 2022, which we welcomed as a proactive and constructive response to the concerns we had raised with you about the Council's application of the sustainable development principle in the extension of its leisure contract with Parkwood Leisure Ltd (sub-contracted to Legacy Leisure). We will be keen to continue to understand how the Council progresses in line with the approach you set out in your letter.

After the local government elections, we will forward our letter to the chair of the Governance and Audit Committee (GAC) as we feel it is important that members are aware of our concerns and the journey of those concerns, so that they can take ownership in driving the Council's application of the sustainable development principle and helping to ensure that this is the case across the organisation. We assume you may also want to update GAC members on your response as per your letter of 7 February.

When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 (the Act), we recognised that it would take time for public bodies to embed the sustainable development principle. We were also clear that, as public bodies necessarily develop their knowledge and expertise in applying the Act over time, our audit approach would adapt to reflect that. It is now approaching seven years since the Act was passed and we are in its second reporting period. At this point, it is reasonable to expect public bodies to be able to demonstrate that the Act is integral to their thinking and shaping what they do.

Both the report to Cabinet of 21 June 2021 relating to the extension of the leisure contract and the Council's response of 22 October 2021 to our queries about the leisure contract extension raised concerns for us as to whether and how the Council applied the sustainable development principle as part of the leisure management contract extension. In this instance, the Council had not shown that it fully understood the sustainable development principle or had properly sought to apply it.

This was particularly concerning given that the Council had agreed the proposals for improvement in our Review of out-sourced leisure services report (November 2020) and we had had a number of meetings to discuss our findings at that time. We recognised and took into account in that report, that the original leisure contract awarded in 2012 was tendered before the Act came into force. That wasn't the case with the leisure contract renewal in 2021. The Council is required to act in accordance with the sustainable development principle when taking steps to deliver its well-being objectives.

We know that our November 2020 report had previously been considered by members but were surprised that the Cabinet report of 21 June 2021 did not refer to it at all so that members could take our findings into consideration in their deliberations.

With regard to procurement, the Council may find it helpful to draw on the Future Generations Commissioner for Wales' February 2021 report, Procuring Well-being in Wales, which sets out why and how public bodies should use procurement as a key means of meeting their obligations under the Act.

To recap, the overall finding in our November 2020 report was 'The Council is receiving an income from its leisure contract with Legacy Leisure, but needs to assure itself that the contract is providing value for money, and strengthen its application of the sustainable development principle when it extends the contract'. We found that 'there is significant scope for the Council to apply the sustainable development principle and focus on delivery of its well-being objectives through its contract with Legacy Leisure'.

The first proposal for improvement in our report was:

The Council should strengthen its application of the sustainable development principle through the services delivered by Legacy Leisure, including by:

- adopting a more strategic approach to collaboration for Legacy Leisure and other leisure services at a local and regional level;

- further integrating the planning and delivery of Legacy Leisure services with other public bodies and Council services, such as Education and Social Care; and
- involving citizens and service users in the development and delivery of Legacy Leisure services to ensure they represent the needs of the community.

The evidence from the Cabinet report of 21 June 2021 and the Council's response to us of 22 October 2021 suggested that the Council hadn't addressed our overall findings and proposal for improvement.

Our proposal for improvement specifically focused on collaboration, involvement and integration, but the Cabinet report and the Council's response of 22 October 2021 suggests that the Council does not fully understand the definitions of the five ways of working. For example:

Involvement: We note the Council's Corporate Plan 2020-2025 has an aspiration to 'Promote leisure, art and cultural activities which meet a diverse range of needs'. The Cabinet report states 'Involvement: Legacy Leisure have trailed many of the planned facilities at other sites and have based their suggestions for investment on experiences at other sites'. However, involvement under the Act is about the importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population. The Council's response of 22 October 2021 in the main refers to engagement / communication with customers. It is not clear how this activity relates to 'involving' those who have an interest in delivering the well-being goals for Wales and, therefore, the Council's well-being objectives. Involvement should be aimed at understanding how leisure services might contribute to the achievement of the Council's well-being objectives and more specifically as part of the 'steps' the Council is taking. For example, what do people want and need to help them be healthy and active and how can the leisure offer be designed to reflect that, rather than just understanding which leisure centre classes/activities are more popular / will generate the most income, although we recognise that this sort of engagement is an important part of ensuring services are sustainable.

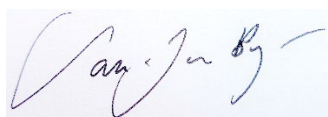
Integration: The Council's response of 22 October 2021 appears to refer to integration as meaning bringing the outsourced and in-house aspects of the service together. The Act sets out that public bodies need to take an integrated approach 'by considering how: (i) the body's well-being objectives may impact upon each of the well-being goals; (ii) the body's well-being objectives impact upon each other or upon other public bodies' objectives, in particular where steps taken by the body may contribute to meeting one objective but may be detrimental to meeting another'. It was not evident that the Council had met either of these requirements.

Collaboration: From the Cabinet report of 21 June 2021, and the Council response of 22 October 2021, it was not clear how the Council is considering if / how it could collaborate in delivering its leisure service, or how the Council is responding to the proposal for improvement in our November 2020 report regarding ‘adopting a more strategic approach to collaboration for Legacy Leisure and other leisure services at a local and regional level’.

Further detail on how the Council applied the sustainable development principle overall in its outsourced leisure services can be found in our November 2020 report.

In summary, given the contract’s relevance to the Council’s well-being objectives, the Council should have considered the sustainable development principle when extending the Leisure contract and missed the opportunity to explore what additional benefits that might bring. However, we have taken considerable reassurance from your letter of 7 February 2022 and the actions the Council has already taken since we first discussed our concerns with you, and those that the Council proposes to take. We will continue to monitor developments and will be keen to see going forward that the understanding of the sustainable development principle demonstrated in your letter of 7 February 2022 is mirrored across the Council. The extent to which councils are applying the sustainable development principle is a key part of our audit work and we will continue to explore the application of the sustainable development principle in future projects.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sara-Jane Byrne', is written over a light blue rectangular background.

Sara-Jane Byrne

Audit Manager



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.