



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17 Vale of Glamorgan Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Tim Buckle and Steve Barry under the direction of Huw Rees.

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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, 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 National Assembly.

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

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

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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.

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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 Vale of Glamorgan 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 set out in [Exhibit 1](#).

The Council is meeting 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.

Recommendations and proposals for improvement

- 4 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:
 - 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;
 - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection, and publish a report and make recommendations; and
 - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

Audit, regulatory and inspection work reported during 2016-17

Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
Governance			
July 2017	<p>Good governance when determining service changes</p> <p>Review of the Vale of Glamorgan Council's governance arrangements for determining service changes.</p>	<p>The Council has a clear corporate framework for developing and determining significant service changes and effective arrangements to support delivery, with some opportunities to strengthen stakeholder engagement:</p> <ul style="list-style-type: none"> the Council has a clear corporate framework for developing and determining significant service changes and effective arrangements to support delivery, with some opportunities to strengthen stakeholder engagement; the Council's Reshaping Services Programme provides a framework for determining significant service changes and supports their delivery; clear roles and responsibilities and strong programme and project governance are supporting the Council's decision-making on significant service changes; the Council's decision-making process incorporates options appraisal arrangements and reports set out detailed information, when determining significant service changes; the Council has effective corporate arrangements to consult with stakeholders, but there are some instances where consultation could have been strengthened; 	<p>P1 The Council should include more information in Cabinet and Scrutiny Forward Work Programmes of the detail and purpose of forthcoming items (including, but not limited to, service change proposals) to improve the transparency of arrangements and opportunities for stakeholders to engage in decision-making.</p> <p>P2 The Council should continue to consult and engage with stakeholders on all service changes where there is likely to be a clear impact on the public and/or service users, or ensure that a clear and transparent rationale for not doing so is documented.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
		<ul style="list-style-type: none"> the Council's governance arrangements make clear provision for monitoring the impact of significant service changes and, if applied systematically, should help to ensure that monitoring is transparent and consistently built into service changes; the Council is learning from the experience of its recent service changes and is improving its associated governance arrangements as a result. 	
July 2017	<p>Improvement Assessment 2016-17, Corporate Assessment Follow-Up – Vale of Glamorgan Council This report examines whether the Council is making effective progress against the proposals for improvement issued in the Corporate Assessment (August 2016).</p>	<p>The Council is strengthening its performance management arrangements and is making progress against our proposals for improvement in relation to finance and ICT; however, further work is required to fully address some of the proposals, including the proposal in relation to asset management.</p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> the Council has implemented proposed changes to its performance management framework and continues to refine its arrangements; the Council's target setting process has been aligned with its service planning process; savings monitoring reports are reported to scrutiny committees on a quarterly basis; however, there remains scope to improve the detail contained with some reports and the interpretation of RAG ratings is not transparent; the Council has finalised its ICT strategy; however, it recognises that this will need to be refined upon completion of the Council's draft Digital Strategy; and the Council had not met its target of March 2017 for addressing the proposal for improvement in relation to asset management. 	

Issue date	Brief description	Conclusions	Proposals for improvement
Use of resources			
November 2016	<p>Annual audit letter 2015-16 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 Appendix 2 of this report.</p>	The Auditor General issued an unqualified opinion on the Council's 2015-16 accounting statements confirming that they present a true and fair view of the Council's financial position and transactions.	Not applicable
March 2017	<p>Savings planning Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	Whilst the Council lacks some indicative savings plans for future years it has a sound financial planning framework which supports future financial resilience.	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> • developing indicative savings plans to cover the period of the Medium Term Financial Plan (MTFP); • developing a strategic approach to income generation; and • ensuring all savings plans included in the annual budget are fully developed when the budget is agreed.

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
May 2016	Wales Audit Office annual improvement plan audit Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	Not applicable
November 2016	Wales Audit Office annual assessment of performance audit Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	Not applicable
Reviews by inspection and regulation bodies			
No reviews by inspection and regulation bodies have taken place during the time period covered in this report.			

Appendix 1

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

Mr Rob Thomas
Managing Director
Vale of Glamorgan Council
Civic Offices
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Dear Mr Thomas

Annual Audit Letter – Vale of Glamorgan 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 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 both the 2014-15 and 2015-16 financial statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within both Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my 'Audit of Financial Statements' report on the 21 September 2016. We reported that a number of amendments were made to the 2014-15 and draft 2015-16 financial statements. A more detailed report covering these matters, and some additional issues identified during the audit together with our recommendations, will be presented to the Council's Audit Committee in due course.

The Vale of Glamorgan Council subsequently approved both the 2014-15 and 2015-16 financial statements on 28 September 2016.

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, in particular the findings of our Corporate Assessment reported to the Council earlier this year.

I issued a certificate confirming that the audit of the 2014-15 and 2015-16 financial statements has been completed on 30 September 2016

The 2014-15 Annual Audit Letter reported that the certificate confirming the completion of the audit of the accounts had not been issued. This was due to a number of unresolved issues that had been raised by electors;

none of which prevented the Appointed Auditor to provide an opinion on the financial statements. These matters have now been resolved and have no impact in respect of the financial statements or upon the wider responsibilities of the Auditor General. The certificate to confirm the completion of the 2014-15 audit was issued on 30 September 2016. I also issued the certificate to confirm the completion of 2015-16 audit on 30 September 2016.

My work to date on certification of grant claims and returns has not identified significant issues that would impact on the financial statements or key financial systems.

Our grants certification audit work for 2015-16 at the Council is not yet fully complete. However we have not identified any significant issues to date that I need to communicate to you within this letter. A detailed report on my grant certification work will follow early in 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 will exceed that set out in our Audit Plan by £3,500.

Our Audit Plan set out our estimated financial audit fee for 2015-16 at £164,000. Our actual audit fee charged to the Council will exceed this estimate by £3,500 primarily due to additional work financial audit work undertaken in respect of the 2014-15 and the 2015-16 financial statements.

Yours sincerely

Anthony Veale

For and on behalf of the Auditor General for Wales

cc Councillor Neil Moore – Leader
Carys Lord, Head of Finance

Appendix 3

National report recommendations 2016-17

Exhibit 2: national report recommendations 2016-17

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
August 2016	Financial Resilience of Local Authorities in Wales 2015-16	<p>In our report of 2014-15 (The Financial Resilience of Councils in Wales, 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"> • developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans; • aligning other key strategies such as workforce and asset management plans with the MTFP; • developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <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	<u>Community Safety in Wales</u>	<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 coordinate 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"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <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"> • developing plans and priorities for community safety; • agreeing priorities for action; and • reporting performance and evaluating impact.

Date of report	Title of review	Recommendation
November 2016	<u>Charging for Services and Generating Income by Local Authorities</u>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 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.</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"> • regularly reporting any changes to charges to scrutiny committee(s); • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision-making. <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	Local Authority Funding of Third Sector Services	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 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 Checklist for local authorities effectively engaging and working with the third sector to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice; • identify where improvements in joint working is required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <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>

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