

Annual Improvement Report 2016-17

Blaenau Gwent County Borough Council

Issued: July 2017
Document reference: 418A2017



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins, Lisa Williams and Dave Wilson under the direction of Huw Rees.

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

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.

Contents

Summary report

2016-17 performance audit work	4
--------------------------------	---

The Council is likely to meet its statutory requirements in relation to continuous improvement providing it embeds arrangements to enable it to meet current and future challenges	4
--	---

Recommendations and proposals for improvement	5
---	---

Audit, regulatory and inspection work reported during 2016-17	6
---	---

Appendices

Appendix 1 – status of this report	12
------------------------------------	----

Appendix 2 – Annual Audit Letter	13
----------------------------------	----

Appendix 3 – national report recommendations 2016-17	16
--	----

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 Blaenau Gwent County Borough Council's (the Council's) 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 likely to meet its statutory requirements in relation to continuous improvement providing it embeds arrangements to enable it to meet current and future challenges

- 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 providing it embeds arrangements to enable it to meet current and future challenges.

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			
March 2017	Good Governance when Determining Service Changes Review of the Council's governance arrangements for determining service changes.	<p>The Council has put in place arrangements to determine and deliver service changes but these are not yet fully developed or always used effectively:</p> <ul style="list-style-type: none"> • the Council has a vision and framework for determining and delivering service change but the future shape and size of service provision is not yet clear; • officers and members generally demonstrate a clear understanding of their roles and responsibilities in determining and delivering service changes and the Council provides ongoing support to improve their effectiveness; • the Council considers a range of options when determining service change proposals although these are not always fully explained in reports and business cases; • the Council has a systematic approach to consulting with stakeholders on proposed service changes and is able to demonstrate that it listens to their views, but it is not always clear in reports and business cases how the views of stakeholders are taken into account in determining service changes; • the Council does not systematically monitor the impact on local residents of its decisions to make changes to services; and • the Council reviews the effectiveness of its decision-making arrangements and makes improvements to address weaknesses that it identifies. 	<p>The Council's governance arrangements could be strengthened by:</p> <p>P1 Providing further training on the WFG Act to ensure officers and members understand the Council's responsibilities under the Act.</p> <p>P2 Improving the quality of its options appraisals by providing information showing how options have been evaluated.</p> <p>P3 Ensuring that reports containing service change proposals include the results of consultation and engagement and demonstrate how these have been taken into account in arriving at the proposals.</p> <p>P4 Setting out at the point of decision on service change proposals how the impact of proposed changes is going to be measured and monitored.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
Use of resources			
November 2016	<p>Annual Audit Letter</p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice.</p>	<ul style="list-style-type: none"> The Council complied with its responsibilities relating to financial reporting and use of resources. The Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems. 	None
March 2017	<p>Savings Planning</p> <p>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>	<p>Whilst the Council lacks some indicative savings plans for future years, it continues to strengthen its financial planning framework to better support future financial resilience:</p> <ul style="list-style-type: none"> the Council reports achievement of 88% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered; the Council continues to strengthen its financial planning framework but lacks some detail in its indicative plans and its use of reserves might not be sustainable; and the Council has effective arrangements to monitor savings and forecasts that it will achieve 98% of planned savings for 2016-17, however the level of detail contained in savings proposals is variable. 	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> risk rating the achievability of Financial Efficiency Projects (FEPs); developing indicative savings to cover the period of the MTFS; including all known recurring budget pressures in the base budget; ensuring FEP business cases presented to members are sufficiently detailed to clearly show intended actions and allow robust scrutiny of delivery appropriately throughout the year; and planning use of reserves over the MTFS.

Issue date	Brief description	Conclusions	Proposals for improvement
Local risk-based performance audit			
June 2017	<p>Information Technology Review to assess whether the Council has effectively addressed the proposals for improvement raised within our 2011 Information Technology review.</p>	<p>The Council recognises gaps in its capacity to deliver Information Technology (IT) services and is starting to realise the benefits of its partnership with the Shared Resource Service (SRS):</p> <ul style="list-style-type: none"> • the Council does not have an up to date IT Strategy but is working to develop a commissioning strategy and IT strategy that reflects its partnership with SRS and its retained services; • the Council now manages IT as a corporate resource and has a stronger focus on IT performance; and • the Council has maintained systems and made arrangement to deliver IT projects since partnering with SRS, but improvements are at a very early stage and ongoing capacity needs review. 	P2 Develop a strategy that takes account of the partnership with the SRS and retained IT services. P2 Formally review ongoing capacity needs to ensure that the Council maximises the benefits from its IT investment.
	<p>Asset Management Review to assess whether the Council's asset management arrangements support robust and effective decision-making and improvement.</p>	<p>The Council is making much better and more strategic use of its assets but does not have robust systems or capacity to provide information to support future decision-making about assets:</p> <ul style="list-style-type: none"> • the Council is making much better and more strategic use of its assets but has not fully costed or resourced its Strategic Asset Management Plan; • the Council has established arrangements to manage assets corporately and managers communicate about assets effectively across the organisation; • the Council engages effectively with stakeholders in the use of its assets; and • the Council does not have robust systems or capacity to provide information to support future decision-making about assets. 	P3 Ensure that the Council's new SAMP aligns with the MTFP. P4 Ensure that IT systems used to record assets provide a full record to support strategic decision-making.

Issue date	Brief description	Conclusions	Proposals for improvement	
	<p>Risk Management</p> <p>Review to assess whether the Council's has robust and effective arrangements for identifying risks.</p>	<p>The Council is committed to managing risks effectively, but some directorates do not yet apply its risk management policy consistently or robustly:</p> <ul style="list-style-type: none"> • senior managers and members actively promote risk management throughout the organisation; and • the Council has a clear framework for identifying, escalating and de-escalating risks and is working to ensure that it is implemented consistently across the organisation. 	P5 P6 P7	<p>Develop an action plan setting out how the Council will improve risk management arrangements.</p> <p>Clearly set out in business cases and reports how mitigating actions will change the risk rating.</p> <p>Ensure that directorates implement the risk management arrangements consistently and effectively.</p>
	<p>Partnerships and Collaborations</p> <p>Review to assess whether the Council has effective arrangements to support partnerships and collaborations, which improve outcomes.</p>	<p>The Council is developing effective arrangements to support partnerships and collaborations, and recognises it needs to do more to improve the consistency of its information management and reporting arrangements:</p> <ul style="list-style-type: none"> • the Council can articulate what it intends partnerships and collaborations to deliver overall but there are opportunities to clarify specific intended outcomes; • the Council is starting to formalise its partnership and collaborative working but does not yet manage these arrangements strategically; • the Council is using improved information to support decision-making when considering partnership and collaborative arrangements, but continues to operate on a relatively short-term basis; and • the Council is improving its partnership and collaborative working, and wants to tackle weaknesses in information management and reporting. 	P8 P9 P10 P11	<p>Clarify the expected social and economic outcomes from working in partnership in business cases and reports on proposed partnerships.</p> <p>Engage with social enterprises to identify opportunities to work together to build capacity and to further develop long-term local economic sustainability.</p> <p>Develop information sharing protocols and systems that support the integration and management of partnership data and information.</p> <p>Include comparative data and performance baselines in reports that make it easier to quantify and evaluate what outcomes and improvements the partnership is delivering.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
	<p>Review of Data Quality 2015-16</p> <p>Review of the Council's progress in improving processes and controls for the collection, processing and analysis of data.</p>	<p>Whilst data quality has improved, there continues to be inadequate data collection arrangements and some incorrect reporting of performance:</p> <ul style="list-style-type: none"> • the Council has taken action to improve data quality but these arrangements are not yet fully effective; • the Council accurately reported 'the number of financial efficiency projects behind schedule'; • the data system used to record the number of visits to local authority sport and leisure facilities has weaknesses which the Council must address; • the data system used to record the standard of cleanliness of highways has weaknesses which the Council must address; and • the data system used to record 'how quickly the Council deals with fly tipping' has weaknesses which the Council must address. 	<p>P12 Ensure that operational managers keep adequate records to support performance indicator submissions.</p> <p>P13 Ensure the performance indicator compilers have a thorough understanding of the definition.</p> <p>P14 Establish effective internal validation controls of performance data.</p> <p>P15 Review the robustness of the data capture systems to assure the Council that systems are fit for purpose and meet the needs of the definition.</p>
	<p>Review of Waste Services</p>	<p>The Council is committed to improving its waste and recycling performance, but a long-term well thought through business plan and engagement with users are needed to deliver the service effectively, improve performance and avoid potential financial penalties:</p> <ul style="list-style-type: none"> • the Council is committed to improving waste and recycling performance, but has yet to develop a long-term well thought through business plan to support improvement; • the Council did not manage the changes to waste and recycling services effectively by undertaking pilots or phasing in changes; 	<p>P1 Develop and agree a long-term business plan that sets out how the Council will work towards achieving the current and future statutory waste performance targets, and makes clear the arrangements to monitor the delivery of the plan.</p> <p>P2 Evaluate the implementation of recent changes in waste collection services. In particular:</p> <ul style="list-style-type: none"> • its overall management of the project;

Issue date	Brief description	Conclusions	Proposals for improvement
		<ul style="list-style-type: none"> the Council recognises it will find it difficult to meet future statutory targets, although it has recently developed an education and engagement plan it is too early to say whether this will increase participation in recycling; current contractual arrangements have sufficient flexibility to support service change; and the Council has not effectively reported its monitoring and manage performance information for the Waste Service. 	<ul style="list-style-type: none"> the quality of service plans as drivers for improvement; and communication/ engagement of the changes to local residents. <p>P3 Improve the quality, frequency and timeliness of the reporting of waste and recycling performance to the Executive and to the Overview Scrutiny committee.</p>
Improvement planning and reporting			
April 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.	None
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.	None
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 Stephen Gillingham
Head of Paid Service
Blaenau Gwent County Borough Council
Municipal Offices
Civic Centre
Ebbw Vale
NP23 6XB

Reference: PA212/DO/hcj
Date issued: 28 November 2016

Dear Stephen

Annual Audit Letter – Blaenau Gwent County Borough 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 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 Audit Committee in my Audit of Financial Statements report on the 27 September 2016. This confirmed that we have no concerns about the qualitative aspects of your accounting practices and financial reporting and no significant difficulties were encountered during the audit. A more detailed report will be issued in December 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 his Annual Improvement Report issued in August 2016, with regard to its use of resources, the Auditor General concluded that the Council's financial resilience arrangements continued to improve in the face of some significant financial challenges, but its financial planning arrangements could be further improved in some key areas. In reaching this conclusion the following findings were reported:

- a) the Council had arrangements in place to support effective financial planning but had a mixed track record of delivering the intended

- savings outlined in its budget proposals with some plans lacking key details;
- b) the Council had adequate financial control arrangements in place, and introduced some new arrangements to address previous weaknesses but these were not yet fully embedded; and
 - c) the Council generally had effective financial governance arrangements in place, which had improved significantly over recent years.

I issued a certificate confirming that the audit of the accounts has been completed 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 2016-17 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

Derwyn Owen
Financial Audit Director
For and on behalf of the Auditor General for Wales

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	<u>Financial Resilience of Local Authorities in Wales 2015-16</u>	<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;• categorise 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 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 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 focusses 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 the 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"> • 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	<u>Local Authority Funding of Third Sector Services</u>	<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 the local authority and third sector officers use the <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice; • identify where improvements in joint working are 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>

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
Website: 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
Gwefan: www.archwilio.cymru