



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2016-17 Pembrokeshire County Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Jeremy Evans and Alison Lewis 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, 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.

Together with appointed auditors, 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.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. 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 Pembrokeshire County 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. However, it is vital that the Council sets out clearly its strategic vision for the future, both political and administrative, and with pace makes progress towards achieving it.

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.
- 6 Alongside monitoring progress the Council makes in addressing our proposals for improvement, in response to emerging issues we have tailored a specific and focused programme of work for 2017-18. We will report back to the Council during the course of 2017-18 as appropriate.

Audit, regulatory and inspection work reported during 2016-17

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

Issue date	Brief description	Conclusions	Proposals for improvement
Governance			
June 2017	<p>Good governance when determining service changes Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council is developing its strategic planning framework and is addressing some longstanding weaknesses in governance arrangements, but additional action is required to improve how decisions on service changes are made:</p> <ul style="list-style-type: none"> the Council has adopted a vision for Pembrokeshire and is now developing elements of a strategic planning framework that could help to provide a more consistent basis for making decisions on service change; the Council has revised its Constitution and made changes to its scrutiny arrangements that have the potential to improve decision making on service change, although some other governance improvements are inconsistently applied; reports containing proposals for service change do not generally set out a range of options, and the extent and quality of supporting information is inconsistent; the Council is making some improvements to the way it engages and consults with citizens, but the extent of its consultation is inconsistent and how it uses the results of consultation to inform decisions on service change is not always clear; the Council monitors the achievement of financial savings but does not have a systematic approach to monitoring the impact of service change; and the Council has sought to improve aspects of its decision making in response to external audit reports, but does not have a systematic means of learning from its delivery of service change. 	<p>P1 The Council should provide a range of options when presenting proposals for service change in Cabinet and scrutiny reports to aid decision making, scrutiny and transparency.</p> <p>P2 The Council should ensure that service change proposals are accompanied by comprehensive supporting information, including impact assessment information, to aid decision making and transparency.</p> <p>P3 The Council should develop a more systematic approach to monitoring the impact of decisions to change services, including clarifying the role of scrutiny committees in reviewing service change post-implementation.</p>

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>	<ul style="list-style-type: none"> the Council complied with its responsibilities relating to financial reporting and use of resources although there remains scope for improvement in some areas; I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but there remains scope for the Council to make further improvements; and my work to date on certification of grant claims and returns has not identified significant issues that would impact on the accounts or key financial systems. 	None
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>	<p>Whilst the Council is improving its financial planning framework, the pace of developing savings plans may not support future financial resilience.</p> <p>Savings achievement 2015-16 The Council has reported achievement of 84% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered.</p> <p>Financial planning arrangements Whilst the Council has begun to address weaknesses in its financial planning framework, the achievability of future savings proposals is unclear.</p> <p>Savings Plan 2016-17 The Council has forecast that it will achieve 93% of its 2016-17 planned savings, but some savings plans lack detail.</p>	<p>P1 Strengthen financial planning arrangements by:</p> <ul style="list-style-type: none"> ensuring there are robust savings proposals to cover the period of the MTFP; and undertaking monitoring of the MTFP and reporting performance in year.

Issue date	Brief description	Conclusions	Proposals for improvement
Improvement planning and reporting			
June 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

Issue date	Brief description	Conclusions	Proposals for improvement
Reviews by inspection and regulation bodies			
June 2016	Care and Social Services Inspectorate Wales (CSSIW)	<p>The report can be accessed via this link:</p> <p>National inspection of care and support for people with learning disabilities – Pembrokeshire County Council</p>	<p>Recommendations –</p> <p>The Local Authority:</p> <ul style="list-style-type: none"> • the local authority should build on the regional statement of intent to develop a Pembrokeshire-specific vision and strategy for care and support for people with learning disabilities. • people with learning disabilities and their parents and carers should be invited and supported to contribute to a conversation about the shape of future service models. • a commissioning strategy for care and support for people with learning disabilities should be developed in partnership with the health board, based on a wide-ranging analysis of need and focused on collaborative and innovative solutions. • the local authority should assure itself that its Operational Learning Disability Action Plan 2015/16 will drive urgent improvements in the timeliness, outcome focus and overall quality of assessment care planning and review for people with learning disabilities. • the local authority should ensure that the Operational Learning Disability Action Plan 2015/16 has the support and involvement of both staff and members and is underpinned by project management; quality assurance processes; and visible leadership by senior managers that drive progress. • the local authority should closely monitor the success of its Integrated Safeguarding Action Plan and ensure that the quality of safeguarding practice is affording people with learning disabilities protection from abuse and neglect. • the local authority should identify all placements for people where there is no separation between the landlord and care provider functions; it should then develop a timetable action plan for ensuring that the human rights, voice and choice of tenants are protected. • the local authority should review its overview and scrutiny arrangements to ensure that members are able to monitor the performance of care and support for people with learning disabilities. • members of the authority should consider appointing a champion of care and support for people with learning disabilities.

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

Cllr Jamie Adams
Leader
Pembrokeshire County Council
County Hall
Haverfordwest
SA61 1TP

November 2016

Dear Cllr Adams

Annual Audit Letter – Pembrokeshire County 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 although there remains scope for improvement in some areas

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 10 August 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. I issued a certificate confirming that the audit of the accounts had been completed on the same date. My report and certificate is contained within the Statement of Accounts.

I reported the key matters arising from the accounts audit to members of the Corporate Governance Committee in my Audit of Financial Statements report on 27 July 2016. I reported that the Council had delivered the draft financial statements three weeks earlier than the statutory deadline of 30 June and that the audit was completed some eight weeks in advance of the statutory deadline of 30 September. This was a considerable achievement, particularly given the significant additional work that was required to address the continued weaknesses in asset valuations. We are working with officers to take forward the improvements required for future years.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but there remains scope for the Council to make further improvements

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.

My Annual Improvement Report published in June 2016 concluded that the Council cannot yet provide adequate assurance that its arrangements are capable of delivering its priorities and improved outcomes for citizens but it is in the early stages of developing a new corporate strategy and organisational principles.

My work on financial resilience published in May 2016 concluded that there was considerable scope to improve the Council's financial planning, control and governance arrangements. We are undertaking follow-up work on financial resilience, the outcome of which will be published shortly. Looking forward, the Medium Term Financial Plan approved by Council in March 2016 estimates that efficiencies between £43.7 million and £52.5 million for the period 2016-17 to 2019-20 are required to bridge the projected funding gap. The Council will need to continue to develop its financial planning and monitoring arrangements to be in a position to respond effectively to this challenge.

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

I have discussed and agreed improvements that could be made to grants management with officers after the completion of our 2014-15 programme of work. The most significant issue related to improving the arrangements in place to confirm the accuracy and appropriateness of expenditure incurred by third parties. I have begun my audit of the 2015-16 grants and I will report the outcomes of this work, including any residual issues with third party monitoring arrangements, in early 2017 when the 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. This includes some £12,000 for our work on the 2015-16 budget setting process query.

Yours sincerely

Richard Harries

For and on behalf of the Auditor General for Wales

cc. Ian Westley, Chief Executive

Jon Haswell, Chief Finance Officer

Appendix 3

National report recommendations 2016-17

Exhibit 2: national report recommendations 2016-17

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 Medium Term Financial Plan 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	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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