



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Carmarthenshire 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 Margaret Maxwell under the direction of Jane Holownia.

**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, 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.

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# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Carmarthenshire County Council (the Council) since the last such report was published in July 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner (the Commissioner). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## 2015-16 performance audit work

- 5 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 the Council's own mechanisms for review and evaluation. For 2015-16, we undertook improvement assessment work under three themes: performance, use of resources and governance.
- 6 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office Financial Resilience	Review of the Council's financial position and how it is budgeting and delivering on required savings.
Wales Audit Office Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.
Wales Audit Office Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, including testing and validation of performance information.
CSSIW Annual Report	Annual Review of the Council's Social Services function.
Wales Audit Office Corporate Assessment	Review of the Council's capacity and capability to deliver continuous improvement.
Wales Audit Office Performance Assessment	Assessment of performance in relation to two of the Council's Key Improvement Priority Objectives, to understand whether the Council's public reporting of its performance is fair and balanced.
Follow-up work	To provide assurance that the Council has appropriate corporate processes for responding to reports, tracking implementation of recommendations and reporting this to the appropriate committee.
National Reports	<ul style="list-style-type: none"> <li>• The financial resilience of councils in Wales</li> <li>• Community safety partnerships</li> <li>• Income generation and charging</li> <li>• Council funding of third sector services</li> </ul>

## Carmarthenshire County Council, demonstrating ambition in its vision, with collective leadership and more robust and transparent governance, is delivering improved outcomes for its citizens although some out dated approaches may limit the speed of progress

- 7 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 Measure and secure improvement during 2016-17. The Auditor General has reached this conclusion because:
- a the Council, in collaboration with partners, is continuing to improve performance across its priority areas and has complied with the Local Government Measure 2009;
  - b the Council's arrangements for managing its resources have served it well in the past, but the current approach in some areas is out dated and not joined up, which may limit the speed of progress towards improved outcomes for citizens; and
  - c the Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles.

## Recommendations

- 8 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:
- a 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;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - c conduct a special inspection and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.

- 9 During the course of the year, the Auditor General did not make any formal recommendations.
- 10 We make no new recommendations in this report and neither did we in our full corporate assessment reported in January 2016. However, we did make a number of proposals for improvement in the corporate assessment report that we will monitor as part of our ongoing work.
- 11 The Auditor General also makes recommendations that may be relevant to Councils in his Local Government National Reports. A list of relevant recommendations contained in reports issued in 2015-16 can be found in [Appendix 3](#).
- 12 In addition, the CSSIW, Estyn and the WLC included areas for improvement in their inspection reports and letters issued to the Council during the year. These are available at [www.cssiw.org.uk](http://www.cssiw.org.uk), [www.estyn.gov.uk](http://www.estyn.gov.uk) and [www.comisiynyddygydraeg.org](http://www.comisiynyddygydraeg.org).

# Detailed report



# Performance

## The Council, in collaboration with partners and despite increasing pressure on budgets, is continuing to improve performance across its priority areas and has complied with the Local Government Measure 2009

- 13 The Council has complied with the Local Government Measure 2009 and we issued a combined compliance certificate for the Council's Annual Report and Improvement Plan (ARIP) in July 2015.
- 14 Public reporting of performance is fair and balanced. The ARIP is clearly laid out and presents a comprehensive picture of what the Council is aiming to achieve, the progress it is making and how its performance compares with other councils in Wales. The Council's wider ambitions for the community and improvement priorities are clearly explained as is the contribution of partners to delivery. Each priority outcome is presented in a consistent way, setting out what the Council has done, what it aims to achieve together with the key measures it will use to monitor progress.
- 15 The combined review of past performance with the actions the Council plans to take next within a single document allows the reader to form a balanced picture of how well the Council is performing. The ARIP is lengthy and detailed and there is also a useful summary, together they provide all the information the reader could need. The ARIP and summary are published in Welsh and English, with appropriate arrangements for publicity. The report is easy to find on the Council's website.

## The Council takes account of the recommendations of national regulators but there is scope to use findings more systematically and consistently to better support improvement

- 16 Although the Council has regard to the findings and recommendations of external regulators, there is considerable variation across different services in how recommendations and good practice are taken account of. There are some corporately agreed procedures to guide what is expected of the Head of Service to ensure that recommendations are properly considered, but the extent to which identified good practice is adopted is largely discretionary and is not normally subject to political scrutiny. As a result, the Council may be missing some of the opportunities afforded by these studies to more systematically drive improvement.
- 17 When external reports are identified by the corporate performance team, they are logged and responsibilities identified for taking recommendations forward. Heads of Service are expected to address report findings in business plans, which form an integral part of the Council's framework for managing improvement. In practice, the nature, extent and timeliness of the Council's response is largely at the discretion of service managers, with little direct challenge to this process or formal scrutiny of its thoroughness.

**The Council, in collaboration with partners is clear about it wants to achieve for citizens and it is strengthening its ability to monitor the progress it is making in terms of outcomes**

- 18 The improved outcomes that the Council wants to achieve in conjunction with partners are clearly expressed and understood by staff and stakeholders. A well aligned hierarchy of plans and strategies effectively cascades these outcomes from the Local Service Board's (LSB) Integrated Community Strategy (ICS) through a range of corporate and service strategies down to business plans and objectives for staff.
- 19 The Council has adopted the five high-level ICS outcomes and 30 associated goals as its priorities for improvement over the next five years, which are supplemented by key improvement objective priorities (KIOPs) for more focused attention each year. KIOPs are reviewed annually to take account of progress made and ensure that the Council continues to address any barriers to improvement. The Council has also identified two further priorities to strengthen the way it operates and make better use of resources.
- 20 The high-level ICS outcomes the Council wants to achieve in the medium term are:
  - a people in Carmarthenshire are healthier;
  - b people in Carmarthenshire fulfil their learning potential;
  - c people who live, work and visit Carmarthenshire are safe and feel safer;
  - d Carmarthenshire's communities and environment are sustainable; and
  - e Carmarthenshire has a stronger and more prosperous economy.
- 21 The specific issues for focused attention (KIOPs) in 2015-16 are:
  - a older people: supporting the growing numbers of older people to maintain dignity and independence in their later years;
  - b housing: improving the Council's housing stock and assisting people to gain access to rented and affordable homes;
  - c education: improving school attainment; and
  - d tackling poverty.
- 22 These outcomes and KIOPs provide a clear template for the Council's improvement activity. They are well understood by staff and stakeholders and form the basis of all data gathering and performance reporting to monitor progress. All services map their contribution to these outcomes as an integral part of business planning to help maximise their contribution to improvement.

- 23 The Council uses information from a variety of sources to track the progress it is making. A set of 44 high-level 'population indicators' allows the Council and its partners to monitor progress against the ICS outcomes over time. No specific targets are set but trends are monitored and compared with those in other councils across Wales. In addition the Council has selected a set of key measures from the available set of national performance indicators (PIs) to monitor progress against the ICS outcomes and assess how this compares with other councils. Progress against KIOPs is generally assessed by monitoring a combination of agreed actions, national PIs and some local measures.
- 24 A significant amount of data is gathered to help the Council evaluate the impact of its activities on citizens. The ARIP draws on a variety of sources including user feedback, compliments and complaints, information from partners and the views of regulators. A section entitled 'is anyone better off?' helps the Council focus on the outcomes it is achieving which it also illustrates in a number of case studies. Although information from partners is included in the ARIP, the Council's analysis of the effectiveness of partnerships is being developed further but at the time of our review was insufficient to properly evaluate whether a partnership is worth pursuing or not.
- 25 The Council is steadily improving its ability to measure the outcomes it is achieving. Some services are reviewing their reliance on PIs, concentrating only on those that are most useful while others are developing their own suite of tailored indicators, replacing traditional input/output measures with outcome measures that better reflect customer need.

**Despite increasing pressure on budgets, performance is continuing to improve across the Council's priority areas and public satisfaction with Council services is growing**

- 26 Performance Indicators suggest that the Council is continuing to improve its performance and this in turn is supporting improved outcomes for local people, despite the increasingly challenging budget pressures it faces. Frontline services have been protected, as a result of budget decisions and more efficient ways of working. Overall performance as measured by PIs continues to improve. According to national indicators for 2014-15 performance in 60 per cent of PIs is above average for Wales compared with 51 per cent the previous year. Over the past year more PIs improved than did not. Fifty-six per cent of PIs improved, 32 per cent declined and 12 per cent remained unchanged. This is just above average performance for Wales and needs to be considered in the wider context of declining budgets and the Council's current level of performance in these indicators.

- 27 Results from both the Citizens Panel and the National Survey of Wales demonstrate that public satisfaction with the Council is improving. According to the 2015 National Survey of Wales 58 per cent of residents are both satisfied with the Council and feel that it provides high quality services, representing a five per cent improvement on the previous year and placing it sixth out of 22 councils in Wales. Results from the Citizens Panel in 2014 back this up, with 58 per cent of people satisfied with the Council, an increase from 52 per cent in 2012. These are encouraging results at a time of increasing austerity and the need for tough spending decisions.
- 28 A clear improvement trend is apparent across the Council's priority areas. Some representative examples are considered below.

### Good progress is being made in modernising the Council's housing stock, tackling homelessness and bringing empty homes back into use

- 29 The aim of improving housing conditions is both a KIOP and contributes to the Council's Healthier Communities priority. Good progress is being made in modernising the Council's housing stock, tackling homelessness and bringing empty homes back into use. The £200 million investment programme to modernise the Council's housing stock is nearing completion. Eighty eight per cent of homes now meet the Carmarthen Homes Standard and the Council expects all works to be completed by December 2015. Positive feedback from tenants indicates that 90 per cent feel that their home now suits their needs, up from 73 per cent in 2009. Sixty per cent of tenants find it easier to meet the cost of living in their improved homes, up from 34 per cent in 2009. A significant reduction in re-let times has been achieved by responding to tenant feedback and streamlining processes. This has reduced average re-let times from 86 days to 25 days over the course of a year.
- 30 A number of initiatives are helping to tackle homelessness under the Welsh Government's Houses into Homes scheme for the region. The scheme aims to increase the supply of private rented accommodation through a combination of advice and financial assistance to landlords. The Council is also successfully bringing empty homes back into use. One hundred and thirty-five properties were returned to use last year, 20 more than the previous year and the fifth highest number in Wales. Overall performance in preventing homelessness is the second best in Wales.
- 31 The Council is rising to the huge challenge it faces in attempting to bridge the gap between the demand for affordable homes and the number of homes currently being provided. Only 47 new affordable homes were built last year, one of the worst performances in Wales although performance can be highly variable year to year and this figure exceeded the target set. An ambitious 10-year strategy for affordable housing has recently been launched to increase delivery and better reflect local demand in terms of tenure. Key elements include the suspension of Right to Buy to enable the Council to retain its housing stock, buying back housing already sold under Right to Buy and cross-subsidising new affordable housing from the development of new housing for private ownership. Planning policies are in place to support this but have not yet been tested.

## Estyn's evaluation of school performance

- 32 The proportion of pupils eligible for free school meals in Carmarthenshire is a little lower than the Wales average. This is taken into account when evaluating the performance in the authority.
- 33 Performance in the Foundation Phase indicator and key stage 2 core subject indicator has improved steadily over the last three years. In 2015, performance in both indicators is broadly in line with the Wales average.
- 34 At key stage 3, performance in the core subject indicator has improved in recent years at a similar rate to the Wales average. In 2015, performance in this measure is a little better than the average for Wales. At key stage 4, performance has improved since 2012 in both the level 2 threshold including English or Welsh and mathematics and in the capped points score. For each of the last two years, performance in these measures has met or slightly exceeded the benchmarks for performance set by the Welsh Government.
- 35 The performance of pupils eligible for free school meals has improved across all main indicators in primary and secondary schools and is close to the average for similar pupils in Wales.
- 36 Attendance rates in primary and secondary schools have improved well over the last three years and for the last two years have been higher than average across Wales.

## Good progress is being made to support the Council's priority to achieve a Sustainable Environment

- 37 The amount of waste the Council recycles continues to increase. Progress has been made in steady incremental steps over a number of years, resulting in 59.6 per cent of waste being recycled in 2014-15. This is among the best performance in Wales and is comfortably ahead of next year's statutory target of 58 per cent. At the same time, the amount of waste sent to landfill has significantly declined, largely as a result of shipping residual waste to Scandinavia where it is burned to fuel community heating schemes. Just over 18 per cent of municipal waste was sent to landfill in 2014-15 compared with just under 38 per cent the previous year. This represents above-average performance for Wales and is set to further improve once data for the full year is included.
- 38 Door knocking exercises by a team of permanent advisers have successfully increased participation in food recycling in targeted areas, although overall participation rates remain low at 34 per cent. The Council is about to pilot the use of free biodegradable liners for food recycling bins to try to increase participation to 60 per cent. According to the National Survey of Wales, 85 per cent of people are satisfied with the Council's recycling service, which is joint third out of 22 councils in Wales. However, only 60 per cent felt that the Council kept them informed about its recycling service which is amongst the lowest in Wales. This suggests that there is scope for the Council to review the effectiveness of its promotional activity.

## The Council's services for adults and children continues to be amongst the best in Wales

- 39 The CSSIW published its [Performance Evaluation Report 2014-2015 in October 2015 and this is available on its website](#).
- 40 The CSSIW states that the Council continues to make solid progress in transforming service delivery to reduce dependency and promote independence. The development of multi-disciplinary community resource teams that are co-located with GP practices is helping to avoid unnecessary hospital admissions and reduce the length of stay. The number of delayed hospital transfers continues to decline although performance remains below the Wales average. The Council is working to move people away from a dependency culture, for example, by issuing direct payments to allow them to source their own care and the numbers using this service are steadily increasing. However, more needs to be done to improve the speed of processing disabled facilities grants and the percentage of older people supported in care homes is still too high, partly because of the growing number of people with complex needs.
- 41 In children's services there has been a strengthening of preventative services, with a number of key services implementing a more refined multi-agency approach to working.
- 42 During the year there have been changes in senior officers with the previous statutory director and the two heads of adult social care retiring. These senior officers have left a positive legacy for their successors. The new statutory director has continued to ensure effective delivery of the strategic priorities and the director's annual report provides an accurate account of the Council's performance and sets out the priorities for the next 12 months. One key aim is to improve performance management, with new measures and better use of the collected data. The officers in adult and children services continue to provide effective leadership and are clear on their priorities. The Council continues to be amongst the best in Wales.

**The Council is working hard to tackle poverty, which presents a major challenge, but without its contribution the situation may be worse**

- 43 The KIOP of tackling poverty supports the Council's objective of a 'Stronger and more Prosperous Economy' and presents a major challenge for the Council. More than 37 per cent of Carmarthenshire households have been identified as living in poverty. To tackle this, the Council is co-ordinating its efforts and working collaboratively with external partners and across a range of services to tackle the causes of poverty and support people who live in poverty.
- 44 Through the Communities First initiative the Council is supporting 2,500 residents across 19 different core programmes and four school based programmes. These aim to help people find employment, do better at school, and improve financial management as well as physical well-being. The Money Sense programme introduces concepts of money management to children at an early age and is now available to all 106 primary schools through a dedicated website. Employment initiatives such as Workways for the long-term unemployed has helped 43 per cent of participants find permanent employment, exceeding the target of 35 per cent. The Council has supported the development of 11 fuel clubs across the county that are run by volunteers and are securing significant savings for Members. Outreach health and transport initiatives such as Bwcabus enable young people in rural areas to attend after-school activities. However, specific outcomes from this range of activity are difficult to evaluate.
- 45 A one stop information Hub in Llanelli, Yr Hwb, provides face to face advice and information on a range of issues through the involvement of 18 different partner organisations. Services include signposting on education, training and employment, financial management and free digital access. Plans are in place to extend its use to other services such as homelessness and housing enquiries and to open further Hubs in Carmarthen and Ammanford.
- 46 The difference the Council is making to people's lives is difficult to measure in the short term and the Council relies heavily on completed actions and outputs to monitor the progress it is making. There are some positive trends in PIs such as the improving speed of processing new housing and council tax benefit claims. The Council also anticipates that its work on the Families First and Flying Start programmes to improve the health and educational outcomes for children.
- 47 Despite the Council's efforts, key poverty indicators continue to show a deteriorating trend. The number of households living in poverty continues to rise, which is in line with the Welsh average. Average incomes are declining and are now below average for Wales. This highlights both the scale of the challenges facing the Council and the difficulty it has in demonstrating the impact of its actions, without which the situation could easily be worse.

- 48 The Council is determined to make a real difference to people's lives and is currently strengthening its ability to do so through more strategic and co-ordinated action. It is formulating a tackling poverty action plan, developing a position statement on current activity, mapping third sector involvement to minimise duplication and is improving its knowledge base of rural poverty. It is also considering the appropriate officer structure to more effectively lead and co-ordinate the poverty agenda.

**A number of strategic regeneration projects have delivered positive outcomes and improved employment opportunities**

- 49 A number of strategic regeneration projects in recent years have delivered high profile outcomes and improved employment opportunities for the area, contributing to the Council's aim to achieve a Stronger and more Prosperous Economy. A major focus of regeneration activity is on business growth and job creation. Over the past year the Council estimates that it has facilitated more than 350 jobs and safeguarded 210 others through its portfolio of products and services designed for the business community. Through the use of Local Investment Fund (LIF) grants, the Council has provided flexible financial support for small and medium sized businesses and enterprise start-ups. According to Council data, the Council procured nearly £3 million grant funding to create 59 new businesses and 419 jobs over the five-year lifespan of the LIF programme. A further 1,854 existing jobs were safeguarded.
- 50 The Council's regeneration activity is shaped by effective collaborative working with neighbouring councils to form the Swansea Bay City Region. To support this, a strategic regeneration plan for the next 15 years has recently been launched to promote new opportunities for business growth, skills development, job creation, developing the knowledge economy and tourism. This underpins the Council's renewed vision to put regeneration at the heart of everything it does.

# Use of resources

**The Council's arrangements for managing its resources have served it well in the past, but the current approach in some areas is out dated and not joined up, which may limit the speed of progress towards improved outcomes for citizens**

- 51 A summary of our assessment of the Council's use of resources is included here, for more detail please refer to [Carmarthenshire County Council's Corporate Assessment report](#).
- 52 We concluded that the Council's ability to respond to future financial challenges could be hampered as service and financial planning and performance are not clearly linked, individual savings are not routinely monitored and weaknesses in grants management continue to be a concern. We came to this conclusion because:
- a the Council undertakes extensive consultation on the budget savings proposals, and comprehensive and reasonable planning assumptions have been made in identifying the Council's budget shortfall for 2015-16, but it could use benchmarking and value-for-money indicators to help identify other areas for cost reduction;
  - b the Council has a good track record in delivering annual budgets against the planned actions it approved, but progress on achieving budget savings lacks transparency as the achievement of budget savings and associated risks is not reported on an individual basis;
  - c the Council's financial management and control arrangements are fit for purpose and are being effectively managed, but lack explicit links between service and financial plans;
  - d the Council is in a strong position in respect of 'usable' reserves and has increased these in recent years, reserves are reviewed annually when setting the Council's annual budget, but Members are not provided with enough information on reserves or the decisions to use reserves; and
  - e there is work ongoing to review the Council's policy in relation to income generation/charging, this review is still not complete limiting the impact this area can have on addressing funding pressures;
  - f weaknesses in grants management continue to be a concern; and
  - g procurement arrangements are not always followed.

- 53 We also found that:
- a the Council's approach to people management is working well and it is addressing some of the key areas that need strengthening, such as strategic workforce planning;
  - b the Council's ability to effectively manage its asset base is currently being hampered by a number of factors; and
  - c the Council was slow to respond to the significant shortcomings with its ICT arrangements the Council is now taking action to improve.

**The appointed auditor issued an unqualified audit opinion on the accounts with key matters to be addressed reported to the Audit Committee in September 2015**

- 54 On 10 December 2015 the Auditor General issued an Annual Audit Letter to the Council. The Annual Audit Letter can be found in [Appendix 2](#). The Letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's financial statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. The Auditor General's opinion on the financial statements did, however, include an emphasis of matter which arose as there was a difference of opinion between the Council and the Appointed Auditor about two decisions the Council made which, in the Appointed Auditor's view, resulted in unlawful expenditure being included in the 2013-14 comparative information in the Financial Statements.
- 55 The Appointed Auditor has also reported that the Council's approach to asset valuations needs to improve, the Council needs to ensure it more fully reviews all financial reserves and that, as reported for a number of years, the Council's grants management processes need to improve. Looking forward, the Appointed Auditor has also reported that the recent Welsh Government budget settlement, together with a range of other cost pressures, will mean that all local government bodies in Wales will face extremely challenging financial positions. The Medium Term Financial Plan approved by the Council in February 2015 for the period 2015-16 to 2017-18 established challenging efficiency savings totalling some £41.5 million – there will be some tough decisions for the Council if these savings are to be delivered.

# Governance

The Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles

- 56 A summary of our assessment of the Council's governance arrangements is included here, for more detail please refer to [Carmarthenshire County Council's Corporate Assessment report](#).
- 57 We concluded that the Council has made good progress in establishing improved governance arrangements which are now more robust and transparent, although there are opportunities for further improvements to enable Members to be more effective in their roles. We came to this conclusion because:
- a the Council is improving the transparency of its governance arrangements; and
  - b the Council is strengthening its approach to Member training and development but further improvements are needed to support Members to be effective in their specific roles within the Council's governance arrangements.

# Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. 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.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

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 Emlyn Dole  
Leader  
Carmarthenshire County Council  
County Hall  
Carmarthen  
SA31 1JP

Dear Cllr Dole

## **Annual Audit Letter – Carmarthenshire County Council 2014-15**

This letter summarises the key messages arising from the Auditor General's 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 financial statements 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 financial statements.

Local authorities in Wales prepare their financial statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. The Code is based on International Financial Reporting Standards. On 30 September 2015 I issued an unqualified audit opinion with an 'emphasis of matter' paragraph on the financial statements confirming that they present a true and fair view of the Council's and the Dyfed Pension Fund's financial position and transactions. A similar audit opinion was issued in 2012-13 and 2013-14.

The emphasis of matter related to the 2013-14 comparative information included in the Council's 2014-15 financial statements and not those of Dyfed Pension Fund. The emphasis of matter arose as there was a difference of opinion between the Council and us about two decisions the Council made which, in our view, resulted in unlawful expenditure being included in the 2013-14 financial statements.

The key matters arising from the audit of the financial statements were reported to the Audit Committee in my Audit of Financial Statements report on 30 September 2015. At this Audit Committee we reported that the quality of the financial statements was good. We reported that we did not identify any material weaknesses in your internal controls but we identified a number of issues, the key ones are set out below:

- We have identified some significant weaknesses in the Council's approach to asset valuations. Our testing identified a number of errors in the way assets were valued and this resulted in a £38.5 million reduction in the value of assets. The Council has agreed to improve its processes for asset valuations in 2015-16.
- The Council holds a range of earmarked reserves which it reviews as part of the annual budget setting process. Given the current financial position, as part of its budget setting process, the Council needs to ensure it more fully reviews all reserves ensuring that they have a clear purpose and are still required. Reserves which are not required should be released and considered when setting future budgets. The Council has agreed to follow-up this issue in 2015-16.
- Within earmarked reserves, the Council holds a £9.6 million Insurance Reserve. A proportion of this reserve should be disclosed as a provision (ie a short-term liability in the balance sheet). The Council is currently unable to quantify this, although we are satisfied that it would not have a material impact on the financial statements. The Council has agreed to follow-up this issue in 2015-16.
- For a number of years we have reported weaknesses within the Council's grants management processes. Internal Audit has already issued a critical report on the Council's management of the Welsh Government's Supporting People grant to the July 2015 Audit Committee. Our 2014-15 grants work is work in progress and there have been improvements in some areas. We have however identified concerns regarding some of the WEFO European grant schemes, some of which WEFO have now reviewed and confirmed eligibility of those grants. Our findings from our grants work will be report to the Audit Committee early in 2016.

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

**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 financial statements as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009.

My Annual Improvement Report published in June 2015 concluded that the Council has continued to make good progress in its priority areas and it is working to address a range of governance issues. We have recently undertaken a detailed Corporate Assessment on the Council's arrangements and this will be reported in early 2016.

Our work on financial resilience will be reported in December 2015. We have concluded that the Council has a track record of delivering a balanced budget but the Council now needs to sharpen its focus to ensure alignment of financial planning with corporate priorities and that to supplement the budget monitoring processes, performance is underpinned by a more robust framework for monitoring and reporting on the achievement of specific savings proposals.

In 2014-15 the Council had a positive final out-turn position with a small underspend of £0.6 million which reduced the planned draw on general reserves to £175,000. At departmental level there was a marginal overspend of £0.4 million. At the end of the financial year the Council's useable reserves decreased by £1.5 million to £82 million (this excludes 'ring-fenced' reserves including the Housing Revenue Account, Schools' reserves and capital receipts). At the end of the current 2015-16 financial year, the Council is currently forecasting a £0.2 million overspend against the budget.

Looking forward, the recent Welsh Government budget settlement, together with a range of other cost pressures, will mean that all local government bodies in Wales will face extremely challenging financial positions. The Medium Term Financial Plan approved by Council in February 2015 for the period 2015-16 to 2017-18 established challenging efficiency savings totalling some £41.5 million. It will be a challenge for the Council to deliver these savings and increasingly more difficult to identify these types of savings going forward.

At the planning stage the financial audit fee for 2014-15 was £183,995. We anticipate that the final financial audit fee will be some £187,000 as a result of our additional work on testing asset valuations, this is currently being discussed with the Director of Corporate Services.

Yours sincerely

**Richard Harries**

For and on behalf of the Auditor General for Wales

## Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
October 2014	<p><b>Delivering with less – the impact on environmental health services and citizens</b></p>	<p>R1 Improve strategic planning by:</p> <ul style="list-style-type: none"> <li>• identifying, collecting and analysing financial, performance and demand/need data on environmental health services;</li> <li>• analysing collected data to inform and understand the relationship between ‘cost: benefit: impact’ and use this intelligence to underpin decisions on the future of council environmental health services; and</li> <li>• agree how digital information can be used to plan and develop environmental health services in the future.</li> </ul>
January 2015	<p><b>Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales</b></p>	<p>R1 Improve strategic planning and better co-ordinate activity to tackle the impact of welfare reform on social housing tenants by ensuring comprehensive action plans are in place that cover the work of all relevant council departments, housing associations and the work of external stakeholders.</p> <p>R2 Improve governance and accountability for welfare reform by:</p> <ul style="list-style-type: none"> <li>• appointing member and officer leads to take responsibility for strategic leadership on welfare reform and be accountable for performance; and</li> <li>• ensuring Members receive adequate training and regular briefings on welfare reform to be able to challenge and scrutinise performance and decisions.</li> </ul> <p>R3 Ensure effective management of performance on welfare reform by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially housing associations; and</li> <li>• establishing measures to judge the wider impact of welfare reform.</li> </ul>

Date of report	Title of review	Recommendation
January 2015	<p><b>Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales</b></p>	<p>R4 Strengthen how welfare-reform risks are managed by creating a single corporate-level approach that co-ordinates activity across the Council and the work of others to provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place.</p> <p>R5 Improve engagement with tenants affected by the removal of the spare-room subsidy through:</p> <ul style="list-style-type: none"> <li>• the provision of regular advice and information on the options open to them to address the financial impact of the change in their circumstances;</li> <li>• the promotion of the ‘Your benefits are changing’ helpline; and</li> <li>• the provision of support to tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes.</li> </ul> <p>R7 Improve management, access to and use of Discretionary Housing Payments by:</p> <ul style="list-style-type: none"> <li>• establishing a clear policy or guide that is available in hard copy and online to the public that sets out the Council’s policy and arrangements for administering Discretionary Housing Payments;</li> <li>• clearly defining eligible and non-eligible housing costs covered by Discretionary Housing Payments in application forms, policy documentation and applicant guidance leaflets;</li> <li>• clearly setting out the maximum/minimum length of time that such payments will be provided;</li> <li>• setting and publishing the timescale for the Council making a decision on Discretionary Housing Payment applications;</li> <li>• including information within public literature on the Council’s policy for right to review or appeal of a decision and the timescales and process to be followed in deciding on these; and</li> <li>• clearly define the priority groups for Discretionary Housing Payments in public literature to ensure that those seeking assistance, and those agencies supporting them, can assess whether such payments are a viable option to address their housing and financial needs.</li> </ul>

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial resilience of Councils in Wales</b></p>	<p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> <li>• strengthen budget setting and monitoring arrangements to ensure financial resilience; and</li> <li>• review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.</li> </ul> <p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<p><b>Achieving improvement in support to schools through regional education consortia – an early view.</b></p>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (<b>paragraphs 2.2 to 2.20</b>). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services).</li> </ul> <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (<b>paragraphs 2.33 to 2.36; 3.16 to 3.17</b>). We therefore recommend: As any possible local authority reorganisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.</p>

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view.</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy).</li> <li>• The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> <li>– information sharing and consultation about developments related to school improvement;</li> <li>– developing collaborative relationships of shared accountability; and</li> <li>– undertaking system-wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies.</li> </ul> </li> </ul> <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and</li> <li>• local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	Achieving improvement in support to schools through regional education consortia – an early view.	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> <li>• improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements;</li> <li>• improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money;</li> <li>• make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level;</li> <li>• develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities;</li> <li>• develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees;</li> <li>• ensure the openness and transparency of consortia decision making and arrangements;</li> <li>• recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and</li> <li>• develop robust communications strategies for engagement with all key stakeholders.</li> </ul>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services;</li> <li>• realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people;</li> <li>• the appointment of a member champion for older people's services; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> <li>• ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and</li> <li>• engaging with residents and partners in the development of plans, and in developing and agreeing priorities.</li> </ul> <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.</li> </ul>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> <li>• setting out how changes to services or cuts in budgets will affect groups with protected characteristics;</li> <li>• quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics;</li> <li>• indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and</li> <li>• ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them.</li> </ul> <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> <li>• setting a performance baseline at the start of projects to be able to judge the impact of these overtime;</li> <li>• agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and</li> <li>• improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focusing on the Council's position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul> <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council 'subsidy';</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the Council's wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council 'subsidy';</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of 'new commercial' initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul> <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected Members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>



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](mailto:info@audit.wales)

Website: [www.audit.wales](http://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](mailto:post@archwilio.cymru)

Gwefan: [www.archwilio.cymru](http://www.archwilio.cymru)