



Annual Improvement Report

Carmarthenshire County Council

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

About the Auditor General for Wales

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.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Jeremy Evans under the direction of Jane Holownia.

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Summary report and recommendations

Summary

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. This report sets out the findings of the work undertaken on behalf of the Auditor General by staff of the Wales Audit Office and draws on the work of the relevant Welsh inspectorates. The report covers Carmarthenshire County Council's (the Council) delivery and evaluation of services in relation to 2012-13, its planning of improvement for 2013-14 and, taking these into account, records the Auditor General's conclusion on whether he believes that the Council will make arrangements to secure continuous improvement for 2014-15.
- 2 We found that, in 2012-13, the Council continues to make good progress towards achieving its improvement priorities. We came to this conclusion because:
 - the Council is making good progress in assisting citizens to access rented and affordable homes and is confident that it will meet its target to provide all of its social housing tenants with housing of an acceptable standard by 2015;
 - the Council supports its vulnerable citizens well;
 - the Council is progressing its *Modernising Education Programme* and strengthening its ability to evaluate the impact of its actions;
 - the Council's approach to waste management is effective and it is contributing positively to reducing carbon emissions in the county; and
 - the Council continues to implement its *Welsh Language Scheme* although fewer staff received Welsh language training during 2012-13.
- 3 We also found that the Council has an embedded approach to self-evaluation, although weaknesses in some service level plans are a concern.
- 4 Finally, during 2013-14, the Appointed Auditor issued two public interest reports. The Appointed Auditor drew the public's attention to two decisions of the Council that, in his view, were unlawful and highlighted a number of areas where governance arrangements need to be improved. We also found that:
 - the Council has discharged its improvement planning duties under the Local Government (Wales) Measure 2009 (the Measure) but needs to secure better engagement of members with the development and scrutiny of its improvement priorities;
 - the Council is making progress in addressing the proposals for improvement identified in our previous assessments although in some areas progress is slow; and

- whilst the Council has clear and robust financial plans, it is not clear how these support achievement of its strategic and improvement objectives.

5 Taking the above into account, and given concerns about decision making, specifically the transparency of decisions made, the role of senior officers and Members in that decision making, the relevance and clarity of information used to inform decisions, and the inevitable impact on trust and confidence within the Council and the wider environment, the Auditor general is unable at present to conclude whether the Council is likely to make arrangements to secure continuous improvement for 2014-15.

Recommendations

6 We make no new recommendations this year, and this report sets out the progress the Council is making to address the proposals for improvement made in our previous reports. Those proposals for improvement are set out in our improvement assessment letters issued to the Council during the course of the year. These letters are available on our website: www.wao.gov.uk.

Detailed report

Introduction

- 7 Under the Measure, the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. This work has been undertaken by staff of the Wales Audit Office. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW), and the Welsh Language Commissioner (the Commissioner) we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 8 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of prioritised work undertaken this year.
- 9 Given the wide range of services provided and the challenges facing the Council, 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.
- 10 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@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

The Council continues to make good progress towards achieving its improvement priorities

The Council is making good progress in assisting citizens to access rented and affordable homes and is confident that it will meet its target to provide all of its social housing tenants with housing of an acceptable standard by 2015

- 11 Initiatives to tackle homelessness have been effective – such as increasing the supply of affordable private rented accommodation available in the county. The Council's approach to getting empty private sector homes back into use is comprehensive and effective; it exceeded its 2012-13 target, and remains 9th of 22 councils for this performance measure. The Council uses incentives (such as the *House to Homes*¹ scheme) and enforcement to encourage property owners to refurbish empty homes – and provides a management service to private sector landlords, through its Social Lettings Agency (SLA). The services offered by the SLA have encouraged some reluctant landlords to refurbish properties. The SLA exceeded its target for new lettings during 2012-13, received positive feedback from a Welsh Government-commissioned review by the Welsh Local Government Association and is well-regarded locally.
- 12 The Council has significantly reduced the time taken to re-let social housing by responding to feedback and addressing some of the constraints which prevented rapid tenant take-up.

- 13 Refurbishment work also takes better account of prospective tenant needs; the work is completed by a multi-skilled team created by the Council specifically for this purpose. General performance of the repairs service has improved significantly since 2005-06 with a reduction in the time taken to respond to all categories of repairs. For example, the time taken to complete emergency repairs has reduced from 1.7 to 0.4 days and urgent repairs are now completed in an average of 3.8 days, compared with 15.3 in 2005-06. Tenant feedback on the Council's arrangements is positive; 88 per cent of all tenants regarded the customer service they had received as very good and 12 per cent rated the service as good.
- 14 The Council continues to make progress in delivering the CHS². It exceeded its internal works targets for 2012-13, but adverse weather conditions prevented it from meeting the target for external works. Overall, 52 per cent of the housing stock met the CHS by the end of March 2013, although all houses met certain criteria such as the standard for roofs, windows, doors and loft and cavity wall insulation, criteria that tenants asked the Council to prioritise. The Council developed a comprehensive programme of works for 2013-14, confident of catching up and of getting back on track to bring the whole stock up to the CHS by the end of 2015 against a revised national deadline of 2020. Whilst this represented a significant challenge, by the end of March

1 The Council is the lead authority in a collaborative venture with three other unitary councils, which aims to maximise the allocation of Welsh Government funding available through the *Houses into Homes* loan fund, which assists prospective landlords to refurbish private sector housing.

2 The CHS is an enhanced version of the *Welsh Housing Quality Standard* (a technical standard for social housing introduced by Welsh Government) which aims to provide all local social housing tenants with housing of an acceptable standard by 2020.

2014 the Council's evaluation showed that it had brought nearly 75 per cent of its housing stock up to the CHS.

15 The Council has good evidence about the beneficial impact its CHS programme is having on the well-being of its tenants. A long-term collaborative study with two universities has identified a range of health-related improvements amongst tenants, which are attributed to the advances in housing quality prompted by the CHS works.

16 In addition to improving the housing stock and access to rented and affordable homes, housing-related initiatives have promoted other valuable economic and community outcomes. For example, the CHS programme injects over £25 million a year into the construction industry and has provided contractor work placements for over 180 apprentices.

The Council supports its vulnerable citizens well

17 The Council's improvement plan and review documents present a positive picture of ongoing progress and a strong commitment to continuous improvement and support for the well-being of the county's citizens. The review includes details of where the Council met its ambition and where it missed its targets describing in a balanced way the progress it has made over the year. The narrative also explains what the Council is going to do differently where targets have been missed.

18 The CSSIW published its *Annual Review and Evaluation of Performance 2012-13* in October 2013 and this is available on its website: www.cssiw.org.uk. The CSSIW's findings are summarised in paragraphs 19 to 25.

19 The Council continues to make strong progress and performs well. The Director provides effective leadership, setting out a clear vision and guidance across adult and children's social care. The Council has effective governance arrangements with clear strategic aims. The Leader of the Council's annual report and improvement plan provides the Council's commitment to the delivery of best quality social care services, whilst ensuring efficiency and good-value services. The Council is aware of the financial challenges, and the Director has set out its departmental budget strategy to deliver greater efficiency and sustainable services.

20 The Director's annual report provides a comprehensive and accurate account of the Council's performance and sets out its strategic priorities for the next 12 months. The report provides good evidence to support how outcomes are being achieved and reflects the views of service users. It integrates performance activity, identifying progress against key targets and outlining forthcoming priorities. This provides clear information on their public accountability and enables the citizens of Carmarthenshire to determine the quality and effectiveness of local services.

- 21 The Council continues to make good progress in implementing a programme of change across adult services, with the focus on developing more effective community based resources to support people to live in their own homes for longer. The aim of supporting older people to maintain their independence is being progressed through the provision of re-enablement with development of preventative and early intervention services. The Council's Adult Social Care service is working well with Hywel Dda University Local Health Board to provide an integrated model of care.
- 22 Services for children benefit from strong leadership, supported by a stable workforce. There is a clear vision for developing services that target prevention and early intervention providing support to the whole family. The head of service is developing new arrangements to meet the financial challenges and support social workers in their practice, aiming to provide a more responsive and effective service to children and their families.
- 23 Some performance indicators in children's services indicate that there are a number of areas where the Council should make improvements. The percentage of children's assessments where children are seen by a social worker is lower than most councils, as is the percentage where children who are seen alone. The timeliness of initial child protection case conferences, placement stability and the rate of reviews for looked-after children and the number of looked-after children who have an education plan in place within 20 days are others areas where improvement could be made.
- 24 The CSSIW identified the following potential risks at the Council:
- the development of regional adult and children's safeguarding boards presents a challenge to ensure that local safeguarding issues and priorities are addressed through the regional group; and
 - the financial constraints of the Council present a challenge, to ensure that they can continue to provide effective social care services for its citizens.
- 25 The CSSIW also identified the following areas of good practice:
- children's services are demonstrating that their preventative strategies are working effectively, with fewer children needing care and those that require protection benefit from a more proactive and responsive intervention;
 - continued improvements in the reduction of delayed hospital transfers; and
 - increased number of older people remaining in their own home for longer, through the integrated approach and realignment of service delivery.

The Council is progressing its *Modernising Education Programme* and strengthening its ability to evaluate the impact of its actions

- 26 The Council's *Modernising Education Programme* has two key aims, reducing the number of surplus places in its schools and improving the quality of its school buildings ensuring that they are fit for purpose.
- 27 Initially there were 20 per cent surplus places in the primary sector and 10 per cent surplus places in the secondary sector. This amounted to around 4,000 surplus places. The Council is aiming at a 15 per cent overall level which is higher than that recommended by the Welsh Government, in part due to an increasing local birth rate.
- 28 This is a large long-term programme with many dependencies, some outside Council control. For example, the Council is now finding some urban primary schools oversubscribed. This is partly due to parents taking their children to a school close to their workplace rather than children going to schools closest to home. This is causing a shift away from rural schools to larger urban ones. This variability in the pupil numbers can make planning difficult.
- 29 The percentage of schools now recorded as being fit for purpose is 25 per cent. However, these schools account for more than 25 per cent of pupils. With the numbers of small schools reducing, the burden on the Council to maintain and modernise schools buildings is easing. The Council's programme is well-developed and it is currently working on 16

projects, to reconfigure, close or renovate its schools. As these projects mature the Council is confident that the percentage of schools that are fit for purpose will increase rapidly. As these are completed, further projects will be started.

- 30 The Council has developed better ways to evaluate progress and, in particular, to assess the impact of the *Modernising Education Programme* on staff and pupils. These new evaluations are to be undertaken 18 months after completion of modernisation works and will take into account what staff and pupils think of their new environment as well as measuring outcomes in terms of improved attendance and attainment.

The Council's approach to waste management is effective and it is contributing positively to reducing carbon emissions in the county

- 31 The Council's waste-related performance in 2012-13 was good, exceeding the targets set by the Welsh Government. The proportion of municipal waste sent to landfill reduced in line with the national average; the Council remained 11th out of 22 councils, for the fourth successive year. The proportion of municipal waste collected for reuse and/or recycled also improved, and at a faster rate than the national average; the Council improved its ranking from 11th to 9th of 22. In addition to the environmental benefits achieved, exceeding the national targets for waste ensured that the Council avoided potential financial penalties.

32 The Council has continued to strengthen its waste collection, disposal and recycling arrangements, taking into account feedback from citizens. The recycling scheme was rolled out to 99 per cent of households and additional household waste recycling centres were established, making it easier for residents to recycle. The Council is working effectively in partnership with the South West and South East Wales regional groups to introduce new regional initiatives, such as the *Anaerobic Digestion Plant and Residual Waste Programme*.

33 The Council's investment in sustainable energy systems in non-domestic buildings helped to reduce energy use and CO₂ emissions. The overall amount of CO₂ emissions produced by Council activities reduced by 2.18 per cent during the year. The Council is also supporting communities across the county to develop their own local projects to promote sustainability and reduce their carbon footprint.

The Council continues to implement its *Welsh Language Scheme* although fewer staff received Welsh language training during 2012-13

34 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.

35 The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of local authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every local authority is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

36 The Council has taken steps to respond to the results of the 2011 Census and the fall in the number of Welsh speakers in the county by establishing a working group to analyse the findings. The working group has identified eight priority areas and it will be offering recommendations to the Council's Executive Board. The Council did not reach some of the targets for implementing its language scheme during 2012-13 and it has undertaken to give them priority during 2013-14. There was a substantial fall in the number of staff who received language training compared to the previous year. As opportunities to plan the workforce through recruitment are currently limited, the Council will need to invest more in Welsh language training and plan it effectively. The Council did not succeed in reporting on the number of staff who can speak Welsh; however, a new payroll system will be introduced in 2014 which will record language skills of the workforce.

The Council has an embedded approach to self-evaluation, although weaknesses in some service level plans are a concern

- 37 The Council has effectively discharged both its planning and reporting duties under the Measure and has also acted in accordance with Welsh Government guidance.
- 38 The Council has developed a model for improvement planning and monitoring that is well-embedded throughout the organisation. The Council's model is based on a plan-do-review approach and draws information from a range of sources. These sources include citizens and regulators as well as the usual array of performance information stemming from the services themselves.
- 39 There are links between the Council's improvement plan and the service plans that sit below it. However, some of the service plan actions are not robust limiting the ability of directors and scrutiny members to hold heads of service to account. This in turn impacts on the processes the Council has in place to monitor and manage performance. The Council recognises this and is holding a series of workshops to strengthen the actions contained in the plans.
- 40 The Council's in-house Performance Information System (PIMS) is a critical element of the performance reporting process – it is well-established and a wide range of officers and members are trained in its use. The PIMS system enables access to current and past performance information for all of the Council's measures as well as results from other councils for comparative purposes.
- 41 Scrutiny members are given the opportunity every six months to question senior officers and to constructively challenge and debate performance. Overview and Scrutiny meetings are generally well managed, and the range of questions and the quality of challenge can be good. Although this is dependent on members being provided with complete high-quality information and them having the knowledge to enable constructive lines of enquiry to be developed.
- 42 The CSSIW states that the Social Services Director's letter gives a comprehensive and accurate account of the Council's performance and clearly reflects the evidence provided to them. It also states that the Council continues to demonstrate positive improvements across all service areas, children and adults; they are clear as to their priorities and how they see services shaping in the future. The Council has responded well to last year's identified areas for development and has delivered effectively within its core business. The performance monitoring arrangements are effectively monitoring and evaluating performance against key objectives and outcomes. The Council's annual improvement plan demonstrates improved outcomes in most areas of social care.
- 43 The Council was again successful in being awarded the full Welsh Government Outcome Agreement grant. All councils in Wales have their own agreement with the Welsh Government which sets out how it is working towards improving outcomes for local people, within the context of the Welsh Government's national priorities.

The Council has discharged its improvement planning duties, but the Appointed Auditor has issued two public interest reports and has highlighted some areas where governance arrangements need to be considered

The Council has discharged its improvement planning duties under the Measure but needs to secure better engagement of members with the development and scrutiny of its improvement priorities

- 44 The Council has produced a combined *Annual Report 12/13 & Improvement Plan 13/14* (the Plan) as it did last year. This enables the Council to link its performance over the past year to its plans for the current year, highlighting what it will be doing differently as a result. The Plan is well laid out and easy to read with good use of colour, graphs and tables. The introduction to the Plan provides the reader with a background to its development and includes links to other key documents, including the *Integrated Community Strategy*, the *Strategic Equality Plan*, and the *Police and Crime Plan*.
- 45 The Plan is aimed at the 'informed reader' and a shorter summary document is publically available. The Council has also provided a comprehensive technical annex which contains in-depth information and data on the Council's performance. The Council has involved scrutiny in its consultation on the draft Plan. However, in the future, the Council needs to consider how members can better scrutinise the content of the draft Plan and become more closely involved with the development of the Council's Key Improvement Objective Priorities (KIOPs).

- 46 The summary is concise and accurately reflects the content of the Plan and it contains contact details should the reader require more detailed information. The Plan and its summary have been produced in English and Welsh and meet the requirements of the Council's *Welsh Language Scheme*.

The Council is making progress in addressing the proposals for improvement identified in our previous assessments although in some areas progress is slow

- 47 The Council has implemented all of the proposals for improvement made in relation to its improvement plan and its improvement review.
- 48 The Council has extended the use of the 'Insight' HR system to provide managers with a range of information aimed at helping them to manage their staff and address workforce planning issues. A workforce strategy group has been formed and will make use of this information to analyse workforce themes and to draw together a strategic approach to workforce planning.
- 49 There is a continued need for the Council's ongoing work to address the key issues we reported in our *Certification of Grants and Returns for 2011-12* although there has been some improvement in 2012-13.

50 The Council has taken some time to respond to the proposals we made in our 2011 themed review of technology, whilst focusing on other technology issues. However, over recent months progress has been made to strengthen ICT governance by re-establishing the Corporate IT Steering Group. The steering group is working to develop a technology strategy for the Council which it aimed to have formally approved in January 2014. Whilst at a reasonably advanced stage of development, this work has yet to be completed. The draft *ICT Strategy* refers to the other proposals we have made and identifies the work to be done to address them which is underway. For example, the Council is working to broaden electronic customer access and to develop performance measures to enable a better evaluation of the IT service as a whole.

Whilst the Council has clear and robust financial plans, it is not clear how these support achievement of its strategic and improvement objectives

51 The Council is forecasting an overall revenue underspend of approximately £2 million for the 2013-14 financial year. As in previous years, pressures within the Social Care and Housing department mean a forecast overspend of some £1.4 million. However, some of the Council's other departments are predicting underspends.

52 At the end of 2012-13, the Council held some £91 million in useable reserves, some £8 million less than in the previous year. The Council plans to further utilise some of these reserves over the coming years, with reserves reducing to £43.3 million by 2017 – this level of reserves remains prudent.

53 The Council has a track record of good engagement and has done so extensively in relation to the budget and priorities. Members, the public and key stakeholders have all had the opportunity to contribute and comment. The Director of Resources presented a three-year *Medium Term Financial Plan* to the Executive Board on 3 February 2014 which set out the 2014-15 budget and indicative budgets for 2015-16 and 2016-17. The Executive Board recommended approval of a budget of £333 million for 2014-15 which incorporated a 4.77 per cent increase in council tax. The indicative budgets for 2015-16 and 2016-17 of £332 million (3.2 per cent council tax increase) and £331 million (5.26 per cent council tax increase) were also recommended. In setting these budgets, a significant cost reduction programme of £31 million is required over the three-year period to 2017.

54 The *Medium Term Financial Plan* was approved by full Council on 19 February 2014. The Council's financial plan is based on a range of sound and appropriate information although it could use a greater range of information and make this more widely available to those subjecting the plans to challenge and scrutiny. The

Council's overall plan is being delivered, with demonstrable improvements in priority services areas and broadly within budget. The Council is regularly monitoring elements of its plans, but does not specifically monitor efficiency savings, and weak linkages between plans, and with strategic and improvement objectives, reduce the effectiveness of monitoring processes. The next round of budget setting will commence in the autumn and it is likely that further efficiency savings or reductions in services will be required – there will be some difficult decisions for the Council.

- 55 The Council has established a Transform, Innovate and Change (TIC) team which is driving transformational change across the Council. The TIC team is a cross-departmental group of officers which is working on around 15 projects which are delivering improved outcomes both in relation to services and back-office efficiency. The Council is using a variety of techniques, such as 'lean systems', to drive improvements to processes which in turn potentially have an efficiency gain and/or a service outcome improvement. Example projects include reviewing the adult social care referral system and reducing the time that Council housing stands empty between tenants. Overall in 2012-13 the Council estimates that it has made savings of £2.8 million through these projects.

- 56 The Council is learning from the TIC activity and it is communicating this learning through officer engagement, training sessions and member engagement. Communications are open and transparent supporting the Council's aim to change culture and get officers thinking in more efficient and effective ways from the outset.

- 57 There is an inherent complexity in calculating the potential savings any particular project may make. Projects with a small savings margin or projects of significant complexity may in fact cost the Council more. To try and reduce any potential impact of this difficulty, in the future, the Council intends to focus the TIC team on projects where larger cost savings can be made, with the ambition of achieving £6.7 million in efficiency savings during 2013-14.

- 58 The Auditor General is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enable them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

The Appointed Auditor has drawn the public's attention to two decisions of the Council that, in his view, were unlawful and has highlighted some areas where governance arrangements need to be improved

59 On 30 September 2013, the Appointed Auditor gave an unqualified opinion on the Council's 2012-13 accounts. The Appointed Auditor did, however, draw attention to two items of expenditure which in his opinion were unlawful. The Appointed Auditor also issued his *Annual Audit Letter* in June 2014 – [Appendix 3](#) provides more detail.

60 In January 2014, the Appointed Auditor issued two public interest reports for two items of expenditure which he considered to be unlawful. Firstly the decision taken by the Executive Board to allow senior officers the option of receiving the equivalent of the employer's pension contribution as, in effect a pay supplement, if they opted out of the Local Government Pension Scheme was unlawful and payments made as a result of that decision result in an item of account that was 'contrary to law'. Secondly, the decision taken by the Executive Board, to indemnify the Chief Executive in respect of the costs of a libel counterclaim, is considered unlawful and payments made as a result of that decision result in an item of account that was 'contrary to law'.

61 The Council considered these reports at an Extraordinary Council meeting on 27 February 2014. The Council has accepted the recommendations made in relation to the pensions contributions and has ceased making these payments. The Council has noted the report relating to indemnity and agreed to remove the provision for indemnity from the Council's constitution until clarification of the legal position can be established. Included in the public interest reports were a number of governance issues that the Council accept need to be improved and it is working to address them as it reviews and updates its governance arrangements, including:

- reviewing the arrangements for determining urgent items and exempting reports from the public;
- reaffirm the need to identify legal powers and implications, specifically the public sector equality duty when making formal decisions;
- ensuring that all relevant factors and options are considered (with reference to 'Wednesbury' reasonableness) in decision making and that appropriate legal advice is obtained and where relevant is accurately reflected in the Council's reports;
- emphasising the requirement to declare personal or pecuniary interests in decision-making forums (and the need to absent themselves when these items are discussed);

- reviewing the status of 'pre-meetings';
and
- improving meeting minutes to show more clearly the detail that was discussed, any declarations of interest and recording where officers or members leave and/or return to meetings.

62 It is clear that the Council, its officers and members, need to reflect on these themes. The increasing financial pressures (and potentially the changing face of local government in Wales) will mean that the Council is likely to have to make some difficult policy decisions and all officers and members have a key role to play in this, and in ensuring that any trust and confidence lost as a result of weaknesses in arrangements is rebuilt. The Council has asked the Welsh Local Government Association (WLGA) to undertake a Democratic Services Review to look at the governance and procedural arrangements across the organisation and to help it understand what it needs to do to address these weaknesses.

The Auditor General is unable at present to conclude whether the Council is likely to make arrangements to secure continuous improvement for 2014-15

- 63 Until the WLGA has concluded its work and we have completed forthcoming improvement assessment work, the Auditor General will be unable to conclude whether the Council can put in arrangements to continually improve. We will discuss with officers the further assurances the Auditor General requires to enable him to reach a conclusion and build these into our 2014-15 regulatory work programme.

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

Useful information about Carmarthenshire and Carmarthenshire County Council

The Council

The Council spends approximately £417 million per year (2012-13). This equates to about £2,265 per resident. In the same year, the Council also spent £84 million on capital items.

The average band D council tax in 2012-13 for Carmarthenshire was £1,215.88 per year. This has increased by 3.11 per cent to £1,253.71 per year for 2013-14. 75.3 per cent of Carmarthenshire's housing is in council tax bands A to D.

The Council is made up of 74 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 22 Labour, 22 Independent: Coalition
- 28 Plaid Cymru
- 1 People First
- 1 not affiliated

The Council's Chief Executive is Mr Mark James CBE. He is supported by:

- Assistant Chief Executive (Customer Focus and Policy): Chris Burns
- Assistant Chief Executive (People Management and Performance): Paul Thomas
- Education and Children's Services: Robert Sully
- Social Care, Health and Housing: Bruce McLernon
- Technical Services: Richard Workman
- Deputy Chief Executive and Regeneration and Leisure: David Gilbert
- Resources: Roger Jones

Other information

The Assembly members for Carmarthenshire are:

- Rhodri Glyn Thomas, Carmarthen East and Dinefwr, Plaid Cymru
- Angela Burns, Carmarthen West and South Pembrokeshire, Conservative Party
- Keith Davies, Llanelli, Labour Party
- Rebecca Evans, Mid and West Wales Region, Labour Party
- Simon Thomas, Mid and West Wales Region, Plaid Cymru
- Joyce Watson, Mid and West Wales Region, Labour Party
- William Powell, Mid and West Wales Region, Welsh Liberal Democrats

The Members of Parliament for Carmarthenshire are:

- Jonathan Edwards, Carmarthen East and Dinefwr, Plaid Cymru
- Simon Hart, Carmarthen West and South Pembrokeshire, Conservative Party
- Nia Griffith, Llanelli, Labour Party

For more information see the Council's own website at www.carmarthenshire.gov.uk or contact the Council at Carmarthenshire County Council, County Hall, Carmarthen, SA31 1JP.
Tel: 01267 234567 or e-mail: direct@carmarthenshire.gov.uk.

Appendix 3

Annual Audit Letter

Cllr. Kevin Madge
Leader
Carmarthenshire County Council
County Hall
Carmarthen
SA31 1JP

Dear Cllr. Madge,

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor 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 Financial 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. This Code is based on International Financial Reporting Standards. On 30 September 2013 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 Pension Fund's financial position and transactions. My report is contained within the Financial Statements. The key matters arising from the audit were reported to the Audit Committee on 27 September 2013.

At this Audit Committee we reported that the quality of the Financial Statements was good and has improved and we did not identify any material weaknesses in your internal controls. We also reported that controls within the capital accounting fixed assets system have improved this year although further work is required.

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 Financial Statements for 2012-13. I have subsequently issued two Public Interest Reports (on 31 January 2014) in which I reported that, in my view, the decisions were unlawful. The Council considered these reports at an Extraordinary Council meeting on 27 February 2014 and has agreed to take the necessary action in response to the recommendations made.

Included in the Public Interest Reports are a number of governance issues that the Council accept need to be improved and is working to address, as it reviews and updates its governance arrangements, including:

- reviewing the arrangements for determining urgent items and exempting reports from the public;
- reaffirm the need to identify legal powers and implications, specifically the public sector equality duty when making formal decisions;
- ensuring that all relevant factors and options are considered (with reference to 'Wednesbury' reasonableness) in decision making and that appropriate legal advice is obtained and, where relevant, is accurately reflected in the Council's reports;
- emphasising the requirement to declare personal or pecuniary interests in decision-making forums (and the need to absent themselves when these items are discussed);
- reviewing the status of 'pre-meetings'; and
- improving meeting minutes to show more clearly the detail that was discussed, any declarations of interest and recording where officers or Members leave and/or return to meetings.

The Council is currently setting up a cross-party group to take these issues forward and to review the governance and procedural arrangements across the organisation.

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.

Overall, whilst I am satisfied that the Council has appropriate arrangements in place, as set out above, there are some matters that the Council is currently reviewing. The Auditor General will also highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

As for a number of years, we have again reported weaknesses in the Council's grant management arrangements which present a significant financial and reputational risk to the Council. Our work in this area is ongoing but our findings are that the Council's grant management arrangements still need to be improved. The results of our work will be reported to the Council's Audit Committee in Spring 2014. The Audit Committee will have a key role to play in ensuring that the issues are addressed and progress is made in this area.

In 2012-13 the Council overspent by some £1.1 million, mainly as a result of additional demand-led pressures in Social Care & Housing. This overspend was met from useable reserves which stood at £66 million at 31 March 2013 (excluding the Housing Revenue Account, Schools' balances and capital receipts). At the end of the 2013-14 financial year, the Council is forecasting a £2.7 million underspend 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 Council has identified a £30 million funding gap over the next three years and whilst the Council is in the process of updating its Medium Term Financial Plan and identifying the potential savings areas to bridge this gap, the Council will need to ensure that arrangements are established to closely monitor the extent to which the Council meets the finalised savings targets.

On 24 June 2014 we issued a certificate confirming that the audit of the Statement of Accounts has been completed.

At the planning stage the financial audit fee for 2012-13 was £153,746. Given the high level of elector correspondence, the financial audit fee will be £225,000.

Yours sincerely,

Richard Harries

Engagement Lead
For and on behalf of the Appointed Auditor

cc Mr Mark James, Chief Executive
Mr Roger Jones, Director of Resources

Appendix 4

Carmarthenshire County Council's improvement objectives and self-assessment

The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2013-14 in its *Annual Report 12/13 & Improvement Plan 13/14* which can be found on the Council's website at www.carmarthenshire.gov.uk. They are:

| Key improvement objective priorities 2013-14 |
|--|
| Support the growing numbers of older people to maintain dignity and independence in their later years. |
| Improve the Council housing stock and assist local people to gain access to rented and affordable homes. |
| Continue with the biggest investment in education ever undertaken in this county. |
| Protect and enhance the environment and make a major contribution to sustainable energy and climate change policies. |
| Create jobs and training opportunities for local people. |
| Deliver value for money in providing Council services and directing our resources to the top-priority front-line services on which many local people depend. |

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found in the same document again on the Council's website at www.carmarthenshire.gov.uk.

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