



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Powys County Council

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

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# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Powys 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. 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: use of resources; governance; and performance.
- 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: Use of Resources: Financial Resilience Assessment	Review of the Council's financial position and how it is budgeting and delivering on required savings. The Council is to develop an action plan to respond to the areas of weakness identified within our report.
Wales Audit Office: Performance: Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives which confirmed the Council is complying with statutory requirements.
Wales Audit Office: Performance: Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, including testing and validation of performance information, which confirmed the Council is complying with statutory requirements.
Wales Audit Office: Governance: Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited	Review of the circumstances and issues which led to the failure of the Council's contract with Alpha Care Limited to provide adult domiciliary care services.
Wales Audit Office: Governance: Follow-up work	Review of the Council's corporate processes for responding to regulatory reports, tracking implementation of recommendations and reporting to appropriate committees.
CSSIW: Review of the Social Services Department's Performance 2014-15	Annual Review and Evaluation of Performance of the Council's social services functions for 2014-15.
Estyn: Desk top analysis	An overview of key education performance indicators prepared by Estyn.
Wales Audit Office: 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>

## The Council, with improved financial management arrangements, continues to make progress in its priority areas although it has more work to do to provide assurance that its established governance arrangements are robust

- 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.
- 8 The Auditor General has reached this conclusion because the Council:
  - a continues to make progress in its priority areas and maintains compliance with the Local Government Measure 2009;
  - b is improving its financial management arrangements but recognises that it needs to better align service and financial performance; and
  - c has more work to do to provide assurance that its established governance arrangements are robust and that external regulatory reports are fully considered and addressed.

## Recommendations

- 9 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.

- 10 During the course of the year, the Auditor General did not make any formal recommendations to the Council. However, lower-priority issues, known as proposals for improvement, are contained in our other reports to the Council and may be referred to later on in this report. He also makes recommendations that may be relevant to the Council in his Local Government National Reports. A list of recommendations contained in those reports issued in 2015-16 can be found in [Appendix 3](#). We will continue to monitor proposals for improvement during the course of our improvement assessment work.
- 11 In addition, the CSSIW included areas for improvement in its inspection reports issued to the Council during 2015-16. [These are available at CSSIW's website](#).
- 12 Estyn issued no inspection reports to the Council during 2015-16.

# Detailed report



# Performance

## The Council continues to make progress in its priority areas and maintains compliance with the Local Government Measure 2009

### Estyn's evaluation of schools performance in Powys

- 13 The proportion of pupils eligible for free school meals in Powys is the lowest in Wales. This is taken into account when evaluating the performance in the Council.
- 14 Since 2012, performance has steadily improved in the Foundation Phase indicator<sup>1</sup> and the core subject indicators for key stages 2 and 3. Although performance in each of these measures is well above the Wales average, it is below that of similar councils.
- 15 At key stage 4<sup>2</sup>, over the last five years, performance in both the level 2 indicator including English or Welsh and mathematics and the capped average wider points score has improved, but at a slower rate than the average for Wales as a whole. While performance in these measures has remained well above the Wales average, it is below that of similar councils. The Council has only met one of the Welsh Government's benchmarks for performance at key stage 4 in the last three years. Of the 12 secondary schools in Powys, three were in special measures at the start of 2016.
- 16 In most of the main indicators for primary and secondary schools, the performance of pupils eligible for free school meals is higher than for similar pupils across Wales.
- 17 Attendance in primary and secondary schools has improved and now places Powys amongst the highest authorities in Wales.

<sup>1</sup> The **Foundation Phase indicator** refers to the percentage of pupils who reach the expected performance (outcome level 5) in three areas of learning in the Foundation Phase: literacy, language and communication in English or Welsh first language; mathematical development; and personal and social development, wellbeing and cultural diversity.

The **core subject indicator** refers to the percentage of pupils who attain the level expected of them in mathematics, science and either English or Welsh as a first language. This equates to level 4 or above at key stage 2 and level 5 or above at key stage 3. The level 2 indicator including English or Welsh and mathematics represents a volume of learning equivalent to five GCSEs at grade A\* to C including English or Welsh first language and mathematics.

<sup>2</sup> Where the text refers to 'main indicators', at key stage 4 this would include the level 1 indicator (a volume of learning equivalent to five GCSEs at grade A\* to G), the level 2 indicator (a volume of learning equivalent to five GCSEs at grade A\* to C), and the percentage of pupils achieving five GCSEs at grade A\* to A, in addition to the core subject indicator and the level 2 indicator including English or Welsh and mathematics. The 'main indicators' prior to key stage 4 are the Foundation Phase indicator and core subject indicators for key stages 2 and 3. The performance indicators for the Foundation Phase key stages 2 and 3 are based on teacher assessment. The performance indicators for key stage 4 are based on externally verified qualifications such as GCSEs.

## The Council is improving its delivery of social care to the people of Powys and overcoming challenges in preparation for the implementation of the Social Services and Well Being (Wales) Act

- 18 CSSIW published its [Annual Review and Evaluation of Performance 2014/2015](#) for Powys in October 2015 and this is available on [its website](#). Based upon its work to date, the CSSIW concludes that the prospects for improvement in Adult Social Care were uncertain at the time of a review carried out in 2015 and questions remained about future arrangements in the context of budget reductions, however, the Council has made progress in addressing the improvements required to effectively deliver robust social care to the people of Powys, and to overcome challenges in preparation for the implementation of the Social Services and Well Being (Wales) Act.
- 19 The CSSIW reported that the approach taken by Powys County Council to the commissioning of domiciliary care services in 2013 and 2014 was flawed in concept, design, and delivery. The governance arrangements and decision making were not managed at a senior level and were not sufficiently rigorous or challenging, especially given the number of people reliant on these services and the risks associated with the transfer of care arrangements. The senior management team at the time were not experienced in social care commissioning and this remains an area of challenge for the Council, as it continues to rely on external consultancy and interim arrangements to support the delivery of these key functions.
- 20 A number of key building blocks which would have underpinned a successful re-provisioning of care and support were not in place, for example, a consistent reablement service across the county and up-to-date individual care and support plans. As a consequence, the decisions made during the procurement exercise were not always well thought through, especially in terms of the real costs versus benefits analysis and therefore sustainability.
- 21 The arrangements for the subcontracting of care through the main providers resulted in the Council not having a clear line of sight on the quality and consistency of care provided by these agencies. There was no evidence that the availability of care had improved through the commissioning arrangements; indeed delayed transfers of care from hospital increased during 2014-15.
- 22 Whilst it is recognised that opportunities, partnerships and budgets can often drive pragmatic decision making, the absence of an overarching commissioning strategy and market position statement resulted in the Council not being in a position to plan effectively and determine its commissioning and service development priorities. A number of commissioning strategies are now in development but this situation remained largely unchanged at the time of the inspection. The planning of a route map for the future delivery of domiciliary care over the coming months will be critical, and building collaborative relationships with providers and the engagement of people who use these services and their carers will be fundamental to a successful outcome.

- 23 The view that Powys is unique because of its demography is often articulated by people who live and work there, and there are undoubtedly rurality factors that impact on the delivery of services. This can sometimes act as a block to thinking of solutions and has created an inward facing culture within the Council. However Powys is the sum of its parts, many of which share similarities with other communities in Wales. The strategic relationship with Powys Teaching Health Board does provide many opportunities in terms of service delivery and shared facilities, including information technology, but this has also meant that Powys does not naturally or easily look outside its borders for opportunities to jointly commission or to work collaboratively. A key challenge for Powys County Council has been the recruitment of staff at all levels, and they did not have in place a workforce strategy. We understand that this is under discussion with key partners such as the Powys Teaching Health Board and provider organisations and this will be a key component in the delivery of an integrated pathway for older people.
- 24 CSSIW inspectors spoke to a number of people in Powys who wanted to share their experiences of the past year and the serious concerns they had with some of the previous agencies, where carers had failed to turn up or were constantly changing. One relative told us that she had lived with the anxiety about the safety of her mother, but she now was able to relax and go to work because she was confident in the reliability of the care providers and knew that the agency would contact her if there were any problems.
- 25 The contract framework for domiciliary care has now been suspended in the south of the county and some of the provision, including over 124 staff, has moved back to their in-house service. This latest transition had been well co-ordinated and managed by the Council and inspectors noted an improvement in the quality of care now being provided when compared with last year, with big improvements in some agencies especially in the planning of care and continuity of carers.
- 26 The pace of change has increased since the appointment of the permanent Director of Social Services in July 2013 and Head of Service in October 2013 respectively. They are facing a very demanding and ambitious schedule to modernise social services in Powys and the failure of the commissioning framework for domiciliary care has made this more difficult. The prospects therefore are uncertain and questions remain about the future arrangements, particularly in the context of budget reductions and in preparing for the implementation of the Social Services and Well Being (Wales) Act ('SWWB' Act). However, there are signs of improvement and the Council is following through on the recommendations within the IPC report including the development of a commissioning toolkit for all staff.
- 27 Improvements have been made and with the additional senior management capacity, prospects are improving despite the budgetary pressures. It has made significant investment in reshaping services in order to deliver on the savings needed and the implementation of the SSWB Act. The performance within the

domiciliary care sector sets out an improving picture which appears to have been maintained. The Council's in-house provision increased last year; with consolidation of the quality and performance of the service before considering the long term future.

- 28 The Council is actively engaged in the completion of both market position statements and commissioning strategies across a range of service areas, including older people and accommodation, assistive technology, learning disability and domiciliary care. It has carried out a detailed analysis of demography and need across all Council wards, matching current and future need against current resources.
- 29 This has enabled the Council to forecast a likely reduction in the number of care home places being required year on year as long as service developments remain on track with regard to the stability of the domiciliary care market and the ongoing attraction of new providers into the county, the development of an effective assistive technology service, the enabling of the take-up of direct payments in isolated rural areas, and the support of third-sector services. Failure to achieve this poses a significant challenge and risk for the Council, given that it is the foundation for the wider reshaping of services for adults.

### The Council continues to be compliant with the Local Government Measure 2009

- 30 The Council has, as in previous years, met its improvement reporting duties under the Measure, and the Auditor General's November 2015 Improvement Assessment Certificate concluded that the Council had discharged its improvement reporting duties under the Measure. In particular:
  - a The Council had published an assessment of its performance during 2014-15 in its **Annual Performance Evaluation 2014-2015** (the Report) before 31 October 2015. The Report evaluated the Council's success in achieving its improvement objectives and expresses its view clearly.
  - b The Report included information for citizens and communities who wanted to provide feedback or make comments on the Report.
  - c The Report assessed the Council's performance in the preceding financial year (2014-15) and set out how the Council had sought to discharge its duties under the Measure.
  - d The Report included details of performance and comparisons as measured by the national statutory performance indicators.
  - e The Report included details of the ways in which the Council had sought to collaborate.

- 31 We have previously reported that the Council needs to ensure that its self-evaluation arrangements are robust and supported by appropriate capacity and resource. Since our last Annual Improvement Report, the Council commissioned an independent review of its corporate planning process leading to the One Powys Plan, which we helped to inform. This review identified the need to simplify the arrangements of the Programme Boards that support delivery of the One Powys Plan; to develop a Corporate Plan that clearly sets out the Council's ambitions and accountabilities in delivering the One Powys Plan; and to better embed the integration with Powys Teaching Health Board (PtHB) beyond the senior management team. The Council is working to develop and refine its Programme Management arrangements to address the issues raised. We will review the effectiveness of these new arrangements in relation to delivering the shared priorities set out in the One Powys Plan 2014-17 as part of our 2016-17 audit programme.
- 32 The Council also commissioned PricewaterhouseCoopers to undertake a strategic review of Powys County Council's Adult Social Care (ASC) department, including business management systems and information within ASC. Their report provides a comprehensive, mapped position of where the service costs are and provides a good base line for future transformational change. It provides a future blueprint for ASC including key drivers, risks and opportunities; a financial case for making the change; and a high-level implementation plan for this transformation.
- 33 The Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to make arrangements to secure continuous improvement in the exercise of its functions. The Auditor General's July 2015 **Improvement Plan Certificate** concluded that the Council had discharged its improvement planning duties under the Measure.

The Council continues to make progress in delivering its shared priorities and, whilst its overall performance against the national indicators has declined over the previous year, it has largely maintained its position in comparison with other Welsh councils

- 34 The Council's Annual Performance Evaluation routinely evaluates performance and progress against its 11 shared priorities and four Council priorities<sup>3</sup>. The Council has made 62 commitments to help deliver these priorities (over the period 2014-17) and its 2014/15 self-assessment of progress in delivering against each commitment concluded that it was 'successful' in 35 per cent of its 62 commitments, 'partly successful' in 63 per cent and 'unsuccessful' in two per cent. It should be noted that because the plan covers three years the Council and its partners do not expect to have achieved all their commitments yet.

<sup>3</sup> The Council has adopted the One Powys Plan 2014-2017. This is a plan for change between all partners in the Powys Local Service Board.

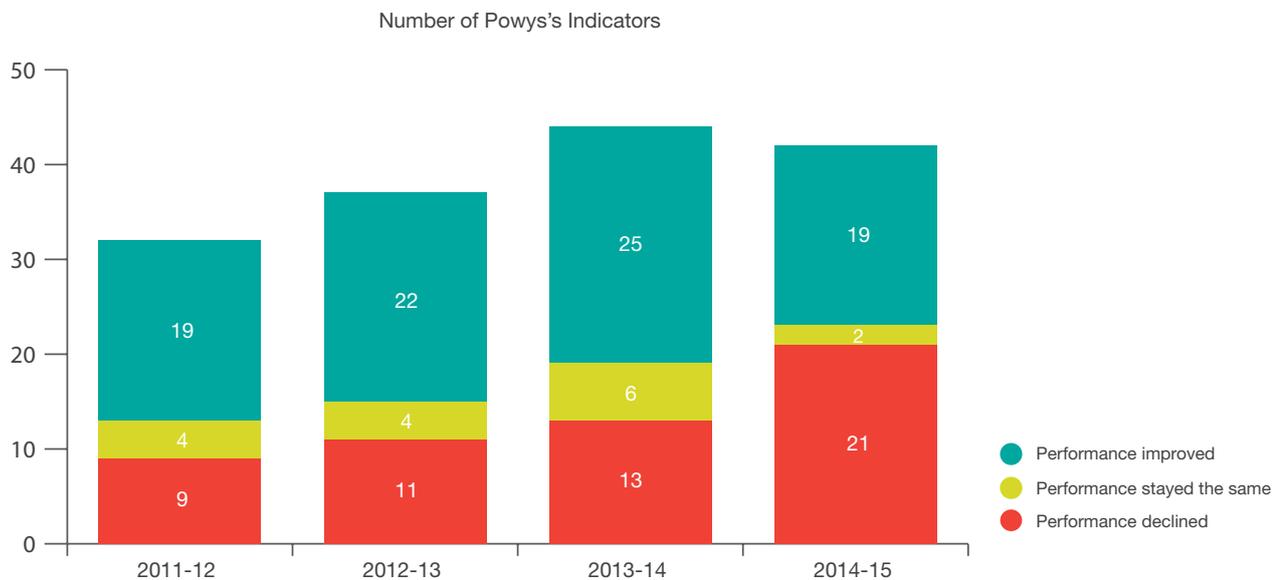
- 35 In September 2015, the Welsh Government and Data Unit Wales made available the final published 2014-15 National Strategic Indicators (NSIs) and Public Accountability Measures (PAMs) for all 22 Welsh councils. This data shows that in overall terms, the Council's measured performance has declined compared to the previous year, although this performance largely maintains its position in comparison with other Welsh councils (see [Exhibit 1](#)).
- 36 The data shows that, during 2014-15, the Council's performance:
- a improved in relation to 19 of its indicators (compared to 25 in 2013-14);
  - b declined in relation to 21 of its indicators (compared to 13 in 2013-14);
  - c is 'upper quartile' in relation to 14 of its indicators (compared to 15 in 2013-14);  
and
  - d is 'lower quartile' in relation to 10 of its indicators (compared to 10 in 2013-14).
- 37 No particular service is responsible for these changes as most services have improving and declining performance indicators. However, performance in relation to two of the key measures merit close attention by the Council. As reported above, delayed transfers of care from hospital increased during 2014-15, placing the Council 22nd out of 22 Welsh councils in relation to this measure (20th in 2013-14). Also, the percentage of municipal waste collected by the Council and prepared for reuse and/or recycled declined to 52.07 per cent in 2014-15 (compared to the Welsh average of 56.24 per cent), placing the Council 19th out of 22 Welsh councils in relation to this measure.
- 38 The Council is currently working on its Corporate Improvement Plan for 2016-17, and this will include targets and action plans to drive improvement in performance in relation to these and other measures.
- 39 Data from the National Survey for Wales<sup>4</sup> reinforces this view of relative performance. Public perceptions about the quality of services provided by the Council deteriorated somewhat between 2013-14 and 2014-15.<sup>5</sup> This moved the Council down from 10th out of 22 to 13th in 2014-15, for that specific aspect of the survey.

<sup>4</sup> The National Survey for Wales involves around 12,000 people a year across the whole of Wales. The Welsh Government uses the results to help make Wales a better place to live.

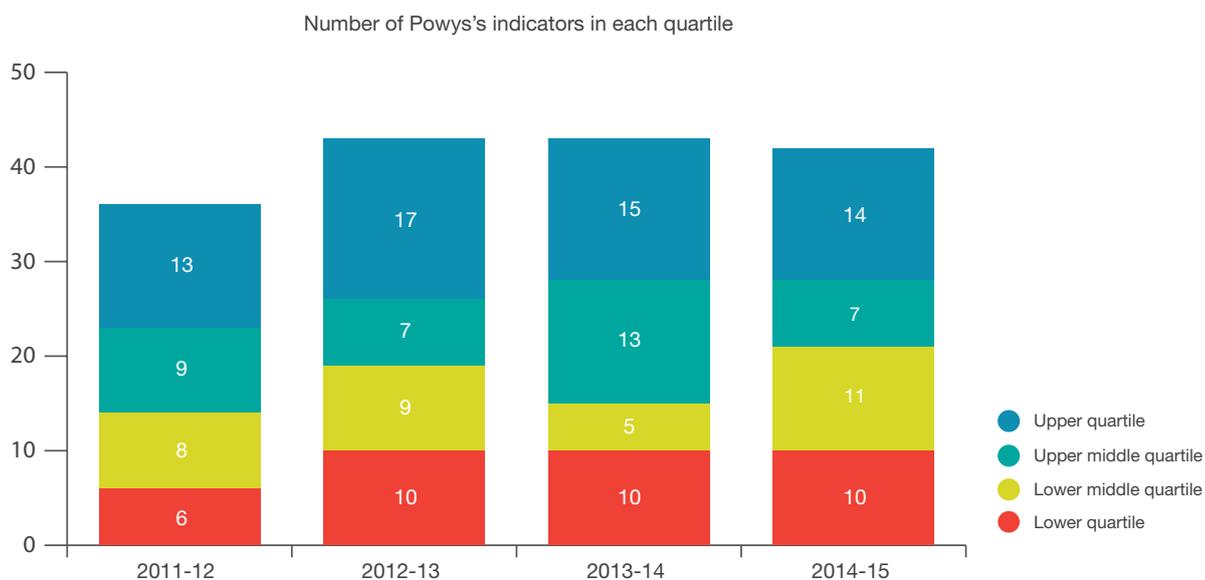
<sup>5</sup> In 2014-15, 51 per cent of survey respondents from Powys either strongly agreed, or tended to agree, that their local authority provided high-quality services compared with 56 per cent in 2013-14.

## Exhibit 1: The performance of Powys – 2014-15 NSIs and PAMs

How has Powys's performance changed over time?



How does Powys's performance compare with the other councils of Wales?<sup>6</sup>



Source: Local Government Data Unit – Benchmarking Hub, September 2015

<sup>6</sup> Better performing councils in Wales are represented in the Upper Quartile and poorer performing councils in Wales are represented in the Lower Quartile.

## Welsh Language Commissioner's evaluation of performance

- 40 The role of the Welsh Language Commissioner (the Commissioner) was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh-language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 41 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council 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.
- 42 The Commissioner included areas for improvement in its inspection reports and letters issued to councils during the year. These are available on its [website](#).

# Use of resources

## The Council is improving its financial management arrangements but recognises that it needs to better align service and financial performance

The Council is improving its financial management arrangements with the benefit of increasingly rigorous scrutiny and challenge but recognises that it needs to better align service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal

- 43 We undertook our assessment of the Council's financial resilience during the period from May to October 2015 and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 planning period. Our work focused on answering the following question: Is the Council managing budget reductions effectively to ensure financial resilience?
- 44 Overall, we concluded that the Council is improving its financial management arrangements with the benefit of increasingly rigorous internal scrutiny and challenge, but recognises that it needs to better align and monitor service and financial performance if it is to be confident of achieving its priorities with the resources at its disposal. We came to this conclusion based on our findings in relation to financial planning, financial control and financial governance arrangements. Our findings are set out below.
- a the Council continues to develop and refine its long-term approach to financial planning, working to integrate and align it with its corporate change and improvement planning;
  - b whilst the Council's overall financial control arrangements are adequate, arrangements for the combined scrutiny of service and financial performance remain less than effective; and
  - c the Council's developing financial governance arrangements are leading to increasingly rigorous internal scrutiny and challenge of its budget setting and financial performance.
- 45 To meet the challenge of transforming service delivery with reduced financial resources and increasing demand, the Council has adopted a clearly defined commissioning and procurement strategy. Our report on the letting of the domiciliary care contract (see below) recommended that the Council consider whether the issues identified have wider relevance for the successful delivery of its commissioning and procurement strategy. It also recommends that the Council undertake a review of its processes for developing and letting major contracts. We emphasise the need to ensure that the governance arrangements for developing, scrutinising and approving contracting exercises are appropriate and are working.

- 46 We issued our Financial Resilience Assessment for 2015-16 to the Council in March 2016. The Audit Committee received and noted our report at its meeting of 15 April 2016<sup>7</sup>. An Action Plan is to be developed to respond to the areas of weakness identified within the report and this will be presented to the next available Audit Committee prior to submission to Cabinet for approval.

### Audit of Powys County Council's accounts

- 47 On 30 November 2015, the Auditor General issued an Annual Audit Letter to the Council. 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 accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. The Annual Audit Letter can be found in [Appendix 2](#) of this report.
- 48 When the Auditor General issued his unqualified opinion on the 2014-15 accounts on 30 September 2015, he explained that the audit could not be formally concluded until his review of Domiciliary Care had been completed. That review has now been completed and a report has been issued and considered by the Council's Audit Committee on 4 February 2016. Following this the Auditor General wrote to the Council on 2 March 2016 confirming that the 2014-15 audit of the Council's accounts has now been completed in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

<sup>7</sup> The full report is available [on the Council's website](#).

# Governance

**The Council has more work to do to provide assurance that its established governance arrangements are robust and that external regulatory reports are fully considered and addressed**

**The Council recognises that, in its haste to introduce the new domiciliary care service, the integrity of its established governance arrangements was compromised and is working to mitigate the consequential risks**

- 49 In March 2014, the Council awarded contracts to four domiciliary care providers following a competitive tender: two in the north of the county, and two in the south of Powys. Implementation of three of the awarded contracts proved challenging, resulting in the mutual termination of two contracts, and the termination of Alpha Home Care Support Service Limited's contract.
- 50 In late 2014, Alpha Home Care Support Services Limited advised the Council that the company was in serious financial difficulties. In order to ensure continuity of care to its vulnerable elderly clients, the Council put in place arrangements to support Alpha Home Care Support Services Limited.
- 51 However, despite attempts by the Council to support the organisation in improving its financial viability, the contract was terminated in early April 2015 following a significant deterioration of performance, and the Council's view that Alpha Home Care Support Services Limited was no longer financially viable.
- 52 The collapse of this contract attracted intense public and media interest prompting the Auditor General for Wales to undertake an audit review of the circumstances and issues which led to the failure of the contract. We issued our report *Review of the Letting of a Domiciliary Care Contract to Alpha Care Limited*<sup>8</sup> to the Council in January 2016, and our findings are set out below.
- 53 The Council had been concerned for several years that the development of domiciliary care services across Powys was inconsistent and that the quality and value for money of the service needed improvement. The Council decided to look at alternative ways of commissioning the service. In late 2013, the Council sought to progress quickly the development and implementation of new arrangements for the service. In circumstances where timescales are compressed, ensuring that risk is effectively managed and proper accountability arrangements are in place is particularly important. Based upon the findings of our review, we concluded that in its haste to introduce the new domiciliary care service as quickly as possible, the integrity of the Council's established governance arrangements was compromised. In consequence, the Council and users of the domiciliary care service were exposed to unnecessary risk.

<sup>8</sup> The full report is available [on the Council's website](#).

54 We reached this conclusion because our review found that:

- a The governance, management and scrutiny arrangements established for the procurement of the domiciliary care service were inadequate:
  - the 2014 tender was progressed too quickly, which left insufficient time to scrutinise and test the proposals;
  - there was a lack of clarity and rigour within the decision-making process for the procurement; and
  - there was a lack of clarity regarding the project management and accountability arrangements.
- b Weaknesses and ambiguities in the Invitation to Tender (ITT) meant that it was not conducive to the submission of robust tenders by potential providers:
  - the appointment of two providers covering the same area resulted in competition for limited staff resources;
  - the contract structure introduced too high a degree of uncertainty for tenderers increasing the risk of provider failure;
  - the range of hourly rates specified within the ITT was not soundly based;
  - there was a lack of clarity in the ITT regarding the workload available to providers and its distribution;
  - the estimated workload specified in the ITT was overstated;
  - the geographic distribution of the workload specified in the ITT was incorrect;
  - the ITT did not provide information on the length of visits; and
  - the scoring structure of the invitation to tender led to high levels of subcontracting, which, in the case of Alpha, significantly impacted on the company's ability to recover its overheads.
- c Weaknesses in the processes adopted for the evaluation of tenders submitted by potential providers has resulted in the Council being unable to demonstrate that contract award decisions were soundly based:
  - there is no evidence that a range of information requested from tenderers by the ITT was evaluated by the Authority; and
  - the inclusion of hourly rates for 'internal hours' in the tender evaluation distorted the results of the evaluations.

- d The Council tried to support Alpha to deliver the contract, but these efforts proved unsuccessful:
- the Council sought to support Alpha’s cash flow by paying agreed elements of disputed invoices;
  - the Council provided other practical assistance to support Alpha; and
  - the Council continued to support Alpha until it became clear that Alpha was not sustainable.
- 55 Our report makes three specific recommendations and also, in light of our findings, we consider that the Council should review other major projects currently being progressed and assure itself that the concerns we identified in respect of governance and accountability are not more widespread.
- 56 The Council’s Senior Management Team (SMT) and Cabinet have accepted the recommendations within our report and intend to take these forward as a corporate issue within the overall improvement agenda. A detailed action plan and progress statement is reported regularly to SMT and monitored through the Commissioning and Procurement Board. Oversight and scrutiny will be undertaken through both the Audit Committee and the People Scrutiny Committee – Adult Social Care Working Group. We will continue to monitor the Council’s progress in implementing our recommendations.
- 57 The Council also recognises that our report underlines the importance of investing in capacity and capability to deliver major projects. In 2014, the Council agreed to establish a Commercial Services unit to support directorate commissioning and contracting plans. The team aimed to develop in-house expertise in order to lower the Council’s dependence on external commissioning support. The Council is to review progress to date to assess the units capacity and capability to deliver the challenging work programme.
- 58 Oversight of major projects has been brought into the corporate arena through an increasing level of oversight and challenge from the Commissioning and Procurement Board. The Board now receives a forward plan and is chaired by a Deputy Leader. A key task for the Board will be to seek assurance that effective tender evaluation has taken place in relation to any major projects undertaken as part of the Commissioning Council approach.

**The Council has more work to do to provide assurance that external regulatory reports are fully considered and action taken in response to the recommendations, where appropriate**

- 59 The Council's Audit Committee meets on a regular basis. The Committee receives reports from Internal Audit and the Wales Audit Office and can make recommendations to both the Cabinet and Scrutiny Committees. The Committee has a Finance and Performance Sub Group that receives regular financial and performance reports and makes recommendations arising from review of these reports. The Committee receives a quarterly report on the Council's risk management arrangements. The Committee also has an Internal Audit Sub Group that meets regularly to receive all adverse opinion reports ie, those rated Limited or Low assurance. Its main purpose is to track action plans to ensure that effective and timely corrective measures have been implemented.
- 60 The Council circulates published Wales Audit Office national reports to appropriate officers, committees and, where appropriate, Programme Boards. Distribution arrangements remain flexible, especially where our national reports may have implications for a wider internal audience. This approach helps to ensure that officers and Members are aware of reports and associated recommendations affecting their area of responsibility.
- 61 The key findings and recommendations arising from our local and national reports, and those made by other relevant regulators are captured within the Council's Annual Governance Statement (AGS). These, together with matters reported by Internal Audit, are taken into account by the Council in determining the Significant Governance Issues and challenges that it needs to address. In the case of our local and national study reports the 2014-15 AGS lists reports published during the year (although the list is incomplete) and states that 'their content and findings are considered and appropriate action planned where required'.
- 62 We have observed examples where the findings and recommendations contained within our reports, and those of other relevant regulators, are properly considered and responded to in the form of action plans subject to Cabinet approval and subsequent scrutiny. This year, such examples include the Wales Audit Office and CSSIW reports on Commissioning Adult Social Care services, and the Wales Audit Office Financial Resilience Report.
- 63 However, we note from our follow-up of the recommendations arising from five Wales Audit Office national reports published during 2014-15 that such consideration was inconsistent across the Council and that some services were not sighted of those national reports relevant to their service areas. This was reflected in the scope and quality of the commentary provided by the Council in relation to action planned and/or taken to address our recommendations.

- 64 The Council recognises that it would benefit from a more formal approach for reviewing and reporting its consideration of Wales Audit Office local and national report recommendations. For example, there is no prescribed approach for routinely reporting progress against agreed actions; officers may provide feedback to an appropriate committee, but this happens on an ad-hoc basis. The Council needs greater assurance that all external regulatory reports have been considered in the appropriate Member committees and action taken in response to the recommendations, where appropriate.
- 65 The Council's Corporate Insight Centre is working to deliver on an improvement objective set for 2015-16 to 'implement an improved process for receiving, responding to recommendations from both scrutiny and the Council's regulators, ensuring that the monitoring of resulting actions is embedded within standard improvement reporting'. This is currently work in progress.
- 66 For our part, we will be further testing the effectiveness of the Council's arrangements during next year's audit programme. We intend to follow up on action taken by the Council to address the key findings and recommendations contained in our Review of the Management of Secondary School Budget Deficits, issued in August 2012. Also, since the last AIR was published, a further five Local Government National Reports with recommendations that are relevant to the Council have been published. These recommendations are set out in [Appendix 3](#) and we will evaluate the Council's consideration and response to them.

# 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 Barry Thomas  
Leader  
Powys County Council  
County Hall  
Llandrindod Wells  
Powys  
LD1 5LG

Dear Councillor Thomas

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

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

### **The Council complied with its responsibilities relating to financial reporting and use of resources**

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that the audit of the accounts has been completed.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2015, I issued an unqualified audit opinion on the accounting 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 Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 28 September 2015, and a more detailed report management letter has been issued in draft with recommendations for improvement.

The key issues I reported were:

- Improvements were noted in both the quality of the draft Financial Statements and the supporting working papers:
- A material error of £27.6 million was found as a result of our audit testing. This was in relation to Internal Re-charges that had not been removed from the Income and Expenditure Account, and was the second year in succession such an error had been identified. The error was corrected in the signed Financial Statements.
- In my view the elements you are currently reporting within Trading Accounts are not strictly trading activities, as few (if any) external charges are generated. I recommended that for future years you review whether these notes and internal accounting arrangements are required.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

**I have not yet issued a certificate confirming that the audit of the accounts has been completed**

We are currently undertaking a review of Domiciliary Care Procurement and considering correspondence from a member of the public. Whilst I am satisfied that this work would not have had a material effect on the financial statements and I was able to give an unqualified opinion, the audit cannot be closed until all our work is completed.

**My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems**

A more detailed report on my grant certification work will follow in February 2016 once this year's programme of certification work is complete.

The financial audit fee for 2014-15 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline, subject to Engagement Lead review.

Yours sincerely

**Anthony Barrett**

For and on behalf of the Auditor General for Wales

cc. Jeremy Patterson, Chief Executive  
David Powell, Strategic Director - Resources

## Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<p><b>The Financial resilience of Councils in Wales</b></p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> <li>• is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;</li> <li>• maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and</li> <li>• should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.</li> </ul> <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</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>

Date of report	Title of review	Recommendation
April 2015	<p>The Financial resilience of Councils in Wales</p>	<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>Achieving improvement in support to schools through regional education consortia – an early view.</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 (paragraphs 2.2 to 2.20). 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 (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> <li>• As any possible local authority re-organisation 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.</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>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
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> <li>• the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements;</li> <li>• the appointment of a lead member for safeguarding; and</li> <li>• regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> <li>• ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children;</li> <li>• creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and</li> <li>• requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement.</li> </ul> <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> <li>• ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes;</li> <li>• creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and</li> <li>• requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> <li>• benchmarking and comparisons with others;</li> <li>• conclusions of internal and external audit/ inspection reviews;</li> <li>• service-based performance data;</li> <li>• key personnel data such as safeguarding training, and DBS recruitment checks; and</li> <li>• the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities.</li> </ul> <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

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>



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