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NP15 1GA

Wednesday, 25 November 2015

**Notice of meeting / Hysbysiad o gyfarfod:**

## **Audit Committee**

**Thursday, 3rd December, 2015 at 2.00 pm,  
Council Chamber, County Hall, The Rhadyr, Usk, NP15 1GA**

### **AGENDA**

<b>Item No</b>	<b>Item</b>	<b>Pages</b>
1.	Apologies for Absence	
2.	Declarations of Interest	
3.	Public Open Forum	
4.	To confirm minutes of the previous meeting	1 - 10
5.	To note the Action List from the previous meeting	11 - 12
6.	Procurement Action Report	13 - 18
7.	Joint Progress Report 2014/15	19 - 34
8.	Annual Audit Letter 2014/15	35 - 38
9.	Proposal to revise the Policy on Minimum Revenue Provision (MRP) for 2016/17	39 - 52
10.	Contract Procedural Rules - Exemptions Report	53 - 60
11.	Progress Report - WAO Proposals for Improvement	61 - 88
12.	Performance Management Arrangements	89 - 102
13.	Wellbeing of Future Generations Act - WAO commentary on our preparedness	103 - 134
14.	To note the time and date of the next meeting as Thursday 14th January 2016 at 2.00pm	

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**Paul Matthews**

**Chief Executive / Prif Weithredwr**

MONMOUTHSHIRE COUNTY COUNCIL  
CYNGOR SIR FYNWY

THE CONSTITUTION OF THE COMMITTEE IS AS FOLLOWS:

County Councillors:

P White  
J. Higginson  
D. Batrouni  
P. Clarke  
G. Down  
A. Easson  
D. Edwards  
P. Murphy  
P. Jordan  
B. Hayward  
B. Strong  
J. Prosser

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### Welsh Language

The Council welcomes contributions from members of the public through the medium of Welsh or English. We respectfully ask that you provide us with adequate notice to accommodate your needs.

# Aims and Values of Monmouthshire County Council

## Sustainable and Resilient Communities

### Outcomes we are working towards

#### **Nobody Is Left Behind**

- Older people are able to live their good life
- People have access to appropriate and affordable housing
- People have good access and mobility

#### **People Are Confident, Capable and Involved**

- People's lives are not affected by alcohol and drug misuse
- Families are supported
- People feel safe

#### **Our County Thrives**

- Business and enterprise
- People have access to practical and flexible learning
- People protect and enhance the environment

### Our priorities

- Schools
- Protection of vulnerable people
- Supporting Business and Job Creation
- Maintaining locally accessible services

### Our Values

- **Openness:** we aspire to be open and honest to develop trusting relationships.
- **Fairness:** we aspire to provide fair choice, opportunities and experiences and become an organisation built on mutual respect.
- **Flexibility:** we aspire to be flexible in our thinking and action to become an effective and efficient organisation.
- **Teamwork:** we aspire to work together to share our successes and failures by building on our strengths and supporting one another to achieve our goals.

# Nodau a Gwerthoedd Cyngor Sir Fynwy

## Cymunedau Cynaliadwy a Chryf

### Canlyniadau y gweithiwn i'w cyflawni

#### Neb yn cael ei adael ar ôl

- Gall pobl hŷn fyw bywyd da
- Pobl â mynediad i dai addas a fforddiadwy
- Pobl â mynediad a symudedd da

#### Pobl yn hyderus, galluog ac yn cymryd rhan

- Camddefnyddio alcohol a chyffuriau ddim yn effeithio ar fywydau pobl
- Teuluoedd yn cael eu cefnogi
- Pobl yn teimlo'n ddiogel

#### Ein sir yn ffynnu

- Busnes a menter
- Pobl â mynediad i ddysgu ymarferol a hyblyg
- Pobl yn diogelu ac yn cyfoethogi'r amgylchedd

### Ein blaenoriaethau

- Ysgolion
- Diogelu pobl agored i niwed
- Cefnogi busnes a chreu swyddi
- Cynnal gwasanaethau sy'n hygyrch yn lleol

### Ein gwerthoedd

- **Bod yn agored:** anelwn fod yn agored ac onest i ddatblygu perthnasoedd ymddiriedus
- **Tegwch:** anelwn ddarparu dewis teg, cyfleoedd a phrofiadau a dod yn sefydliad a adeiladwyd ar barch un at y llall.
- **Hyblygrwydd:** anelwn fod yn hyblyg yn ein syniadau a'n gweithredoedd i ddod yn sefydliad effeithlon ac effeithiol.
- **Gwaith tîm:** anelwn gydweithio i rannu ein llwyddiannau a'n methiannau drwy adeiladu ar ein cryfderau a chefnogi ein gilydd i gyflawni ein nodau.

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# Agenda Item 4

## MONMOUTHSHIRE COUNTY COUNCIL

Minutes of the meeting of the Audit Committee held at County Hall, Usk,  
On Thursday 22<sup>nd</sup> October 2015 at 2.00 pm

**PRESENT:** Mr. P. White (Chairman)

County Councillors: D. Batrouni, P. Clarke, G. Down, D. Edwards, A. Easson, R.J.C. Hayward, J. Higginson, P. Murphy and J. Prosser

**ALSO IN ATTENDANCE:**

County Councillor V. Smith

**OFFICERS IN ATTENDANCE:**

J. Robson	- Head of Finance, Section 151
D. Jarrett	- Accountant, Business Support & Financial Accounting
N. Wellington	- Finance Manager, CYP Directorate
D. Walton	- Audit Manager, Internal Audit
J. Davies	- Team Leader, Business Support & Financial Accounting
S. Hayward	- Digital and Technology Manager
A. Evans	- Customer Relations Manager
R. O'Dwyer	- Head of Property Services
R. Hoggins	- Head of Operations
S. James	- Strategic Procurement Manager
N. Perry	- Democratic Services Officer

**OTHER ATTENDEES:**

Mr. S. Wyndham	- Wales Audit Office
Mr. M. Lewis	- Director, SRS

**1. APOLOGIES FOR ABSENCE**

We received apologies for absence from County Councillors P. Jordan and B. Strong.

**2. DECLARATIONS OF INTEREST**

It was agreed that declarations of interest would be made under the relevant item.

**3. PUBLIC OPEN FORUM**

There were no members of the public present.

## MONMOUTHSHIRE COUNTY COUNCIL

### Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 22<sup>nd</sup> October 2015 at 2.00 pm

#### 4. MINUTES

The minutes of the Audit Committee meeting held on Wednesday 23<sup>rd</sup> September 2015 were confirmed as a correct record and signed by the Chairman. In doing so it was noted that County Councillor Batrouni had requested an update on the item raised by a member of the public at the Audit Committee meeting held on 16<sup>th</sup> July 2015. The Head of Finance advised Members that there was nothing further to report at the current time, and officers would continue to seek a response.

#### 5. ACTION LIST

We noted the action list from the meeting dated 23<sup>rd</sup> September 2015. In doing so it was felt that the following items were outstanding:

- Further information was requested regarding the Raglan Site, and total rent received from the site. There were concerns that the information had not been forthcoming **(ACTION – MH/JR)**.
- A detailed breakdown regarding the profits generated through retail markets had been requested. Unfortunately the attachment in the email response had not been accessible. **(ACTION – MH/JR)**.
- Referring to the comments made regarding the redundancies at Deri View, the Finance Manager confirmed the information would be provided following the meeting **(ACTION – NW)**.
- The inventory of museum exhibits as stated in the accounts remained outstanding. It was suggested that if the inventory was unavailable the accounts may be incorrect. The Head of Finance explained that the information was not held in the Finance Department but its provision would be followed up.

#### 6. SRS STRATEGY REPORT AND UPDATE ON WAO RECOMMENDATIONS

County Councillor P. Murphy declared a personal, non-prejudicial as the Monmouthshire County Council representative on the SRS Public Board

We received a presentation from the Director of Shared Resource Service (SRS). Prior to the presentation we were updated on SRS position in relation to the WAO recommendations made in July 2015;



## **MONMOUTHSHIRE COUNTY COUNCIL**

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### **Recommendation 4 – Is the service good value for money?**

A benchmarking process had been undertaken against 12 organisations including a shared service, a police authority, a bank and public sector organisations. A report providing the detail could be forwarded to the Committee.

### **Recommendation 2 – Strategic Review of SRS**

25 different areas in the strategic review covered items such as culture, service level agreements, performance measures and cost changes. The document could be circulated to the Committee.

### **Recommendation 3 – Governance of SRS**

Final recommendations would be brought to the next Board meeting, including any recommendations from the WAO review. The public board paper could be circulated to the Committee.

### **Recommendation 1 – SRS Strategy Document**

The final recommendation questioned where and what SRS were doing, moving forward. A strategy day had been held with numerous council members, heads of service, frontline service staff, as a peer check. The strategy was presented to the Committee.

Following the presentation Members were invited to comment, during which time the following points were noted:

A Member questioned if there was mention of 3<sup>rd</sup> Sector organisations, particularly if there was more talk of services being devolved out of Local Authority into Town Councils and other organisations. These organisations may not have the budgets or capacity to cope. The issue of security was also raised. In response the Director of SRS explained that with regards to the 3<sup>rd</sup> Sector organisations, the platform would provide access to CAB or EAS, allowing a corporate feel for the system. The Cloud based system would allow everyone to work together, regardless of where they were based. With regards to security we were informed that the platforms were secure and compliant ISO2700 systems, where security layers could be added where needed.

Concerns were raised surrounding the reliability of the service, particularly in the case of accessibility from home. Questions were raised regarding VPN issues and what could be done to aid the processes where VPN dropped out. We were informed that typically where there were issues in the home it was a broadband or wireless router issue. In terms of accessibility, to provide a 24 hour or out-of-hours service costs would in excess of £30,000 to have people on call. Other technologies could be looked into where connection would take place automatically without the need of a VPN password.

## **MONMOUTHSHIRE COUNTY COUNCIL**

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A Member requested further detail on how far the service had taken expansion into other organisations. We heard that all 22 authorities across Wales were interested in being involved and SRS were looking to add the Police into the same platform.

The Strategy Day had involved over 70 people where Monmouthshire County Council had had a large voice including Chief Officers, Heads of Service and 2 Council Members.

It was questioned what the impact would be if the 5 Local Authorities merged as a Greater Gwent. It was explained that the aim of SRS was to provide the service to whoever wanted to be on the platform.

A member questioned if the service was in the right place politically. The Director of SRS assured Members that the service wished to grow to be the provider for the Gwent footprint, and its aims were to provide a service and reduce costs across the public sector.

Members suggested a workshop, rather than a seminar, be arranged to discuss the intricacies of the intentions of SRS.

The Chairman thanked Mr. Lewis for the presentation and noted that information would be despatched to Committee Members.

#### **7. WELSH CHURCH FUND ANNUAL ACCOUNTS**

County Councillor D. Edwards declared a personal, non-prejudicial interest as a Member of the Welsh Church Fund.

We were presented with the audited set of accounts providing external audit with an opportunity to highlight any issues.

Members were invited to comment, during which time the following points were noted:

A Member noted that investment income was around £220,000, nearly £118,000 expended in grants, and questioned, who determines how the surplus is distributed. The Head of Finance explained that as trustees for the fund, Cabinet makes the decision on what to distribute to other authorities. As the performance of the fund improved, adjustments were made to the budget.

We heard that there was a 5% return on income generation.

The Committee resolved to note and accept the report

## **MONMOUTHSHIRE COUNTY COUNCIL**

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### **8. MONMOUTHSHIRE FARM SCHOOL ENDOWMENT TRUST ANNUAL ACCOUNTS**

County Councillors D. Edwards and A. Easson declared a personal, non-prejudicial interest as a Member of the Monmouthshire Farm School Endowment Trust.

We were presented with the audited set of accounts providing external audit with an opportunity to highlight any issues.

It was highlighted that it would be useful for the Council to negotiate with the Roger Edwards Trust to arrange an earlier audit. The Finance Manager agreed that the Roger Edwards Trust was a significant income to MFSET and that it had been received late. The Finance Manager would communicate with Roger Edwards Trust on behalf of the trustees to ask for earlier distribution of income.

The Committee resolved to accept and note the report.

### **9. MID YEAR TREASURY OUTTURN REPORT 2015/16**

We were presented with a report providing information on Prudential Indicators and a Treasury Management Strategy Statement. The CIPFA Code of Practice on Treasury Management recommends that members are informed of treasury management activities at least twice a year.

Members were recommended to note the results of treasury management activities during the first half of 2015-16.

During discussion the following points were noted:

In terms of long-term borrowing, would we be taking advantage of currently low interest rates. We were informed that officers were currently in discussion with treasury advisors to ensure best processes were followed.

With regards to increasing investment return it was explained that any higher return would come with associated risk and in line with the strategy set up at the start of the year, it was the best available at the time. The Head of Finance explained that trusts were kept very liquid and therefore had little return in terms of rates.

It was explained that the term 'cost of carry' referred to the cost of long term borrowing in the accounts.

## **MONMOUTHSHIRE COUNTY COUNCIL**

### **Minutes of the meeting of the Audit Committee held at County Hall, Usk, On Thursday 22<sup>nd</sup> October 2015 at 2.00 pm**

#### **10. INTERNAL AUDIT PROGRESS REPORT QUARTER 2 2015/16**

The Committee received a report to consider the adequacy of the internal control environment within the Council based on the outcomes of audit reviews and subsequent opinions issued to the 30<sup>th</sup> September 2015.

Members were recommended to note the progress made by the Section towards meeting the 2015/16 Operational Audit Plan and the Section's performance indicators at the six months stage of the financial year.

We heard that the vacancies for Principal Auditor and Senior Auditor positions had now been filled.

The Committee resolved to accept the report.

#### **11. UNSATISFACTORY AUDIT OPINIONS**

We received a report in order to update Members on the progress of Unsatisfactory / Unsound audit opinions issued since 2012/13 by the Internal Audit team.

It was recommended that the Audit Committee note the improvements made by service areas following the original Unsatisfactory / Unsound audit opinions issued, or if the Audit Committee are concerned about any of the audit opinions issued or lack of improvement made after the follow up audit review, consideration be given to calling in the operational manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

We heard that numbers of unsatisfactory opinions remained relatively low but there were areas requiring attention. In 2014/15 there was an increase to 6 unsatisfactory opinions, 2 of which had been previously brought to Audit Committee.

There had been a range of problems identified in the audit of the Passenger Transport Unit, including budgetary control, procurement of vehicles and maintenance contracts, pricing of private hire agreements and debt recovery. It was noted that the Passenger Transport Manager had previously addressed the Committee regarding the procurement of vehicles, and it was suggested that Internal Audit would return to assess if recommendations made by the Committee had been taken on board as part of their follow-up work. A Member highlighted that invoices were not being despatched in an appropriate time. The Head of Operations advised that the standing debt issue had been addressed and the department now operated on a 'pay before the service is delivered' basis.

The Chairman suggested that it may be appropriate for the Committee to invite the Officers to provide assurance at a future date. The Head of Operations confirmed that he could arrange for a further report to be provided.

## MONMOUTHSHIRE COUNTY COUNCIL

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A Member highlighted that passenger transport was an external commercial service in competition with the private sector and it was important to consider that the service did not have to think about obtaining finance and cash flow. It was a concern that going forward the service could be competing with private sector companies and could therefore be putting sound companies out of business.

The Chair concluded that the PTU would be invited to provide an account of action taken as a result of internal audit recommendations. **(ACTION – RH/RC).**

The Internal Audit Manager advised that another area of concern had been the Procurement function. At the time of the review the links between departments and the Strategic Procurement Team were variable. A procurement fitness check carried out by KPMG had given Monmouthshire County Council a procurement maturity score of 31%. It was noted that the Council was operating with a low level of procurement staff, and that the 5 year Procurement Strategy expired at the end of 2013.

The Strategic Procurement Manager advised the Committee that the following improvement steps had been taken:

- Service Improvement Plan addressed issues
- Creating additional resilience in devolved procurement areas
- Meetings held on a bi-monthly basis
- Working towards a new procurement strategy to take forward to 2019/20
- Creating buyers guides
- Creating contract forward plans

Members felt that Cabinet should take responsibility for the lack of staff in the procurement area. More staff on the team would save the Council money and was therefore a false economy. The Cabinet Member explained that the Council were in collaboration with the Welsh Purchasing Consortium, and had been in collaborations with other Local Authorities to expand on resilience.

The Head of Property Services advised the Committee that since the commencement of the report, the Strategic Procurement Manager had created a business plan incorporating all the recommendation alluded to in the report. A key feature of delivering the recommendation was to establish a Procurement Network which had been in place since January 2015. It was felt that a core of 2, along with the procurement network, provided the optimum performance.

Members suggested that the recommendation of the Committee be that the Audit Committee note the improvements made by service areas following the original Unsatisfactory / Unsound audit opinions issued and that the Audit Committee had concerns about some of the audit opinions issued or lack of improvement made after

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the follow up audit review. Consideration be given that we call in the Operational Manager and the Head of Service to provide justification for lack of progress and hold them to account for future improvements.

It was agreed that Officers would be invited to provide assurances to the Committee that recommendations were being actioned.

The Audit Manager advised the Committee that Llandogo Primary School was now going through a closure process and hence, unlike the other areas covered in this report, no follow-up work would be undertaken there. The Llandogo audit had noted that Governors at the time had not confirmed the budget and issues had been raised with dinner money income. It was explained that the dinner money debt would have transferred with the pupil, to another school.

Work carried out at the start of the audit had satisfied internal audit that nothing untoward had been going on and no money had been disappearing.

We were advised that the operation of the Monmouthshire Enterprises development fund was deemed inappropriate and in breach of the Authority's previous Financial Regulations (in place at the time the Fund was established). The Fund is now only used for limited purposes – collecting income on behalf of the residual ME services and reimbursing MCC budgets for relevant costs. However, a final decision was required on the winding up of the Fund and the redistribution of remaining balances to ongoing services.

Members commended Internal Audit for raising the issues. We heard that the development fund had been set up by a middle level manager. Financial irregularities had been picked up during the disciplinary process involving this former employee. Members suggested the matter should be brought to Committee on pink papers and considered it important for Officers to be invited to explain further. It was agreed that Julie Boothroyd and Ceri York of Adult Services be invited to a future meeting for a full and frank discussion.

#### **12. WHOLE AUTHORITY COMPLAINTS REPORT 2014/15**

The Customer Relations Manager presented the Whole Authority Report 2014/15 to provide Audit Committee with information on the number and types of complaints, comments and compliments received and dealt with from 1 April 2014 until 31 March 2015. The report also provided a summary of the number of Freedom of Information Act (FOI) requests received by the Council during this period.

Following presentation of the report Members were invited to comment.

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Members noted that staff conduct and communication were key areas. It was explained that where there were issues The Customer Relations Manager would approach the Heads of Service or Chief Officer to discuss.

It was noted that the number of complaints was not too much of a problem in relation to the number of residents in Monmouthshire, and was a much lower figure than those of neighbouring authorities.

We heard that responses were forwarded to Councillors where they were acting on behalf of a constituent.

The Committee agreed to accept and note the report.

#### **13. PROPOSED CHANGES TO ACCOUNTS AND AUDIT REGULATIONS 2014**

The Head of Finance presented a report to provide Audit committee with information on the Welsh Government consultation on the timescales for closing and auditing the authority's accounts

Members were recommended to provide comments to feed into a response to Welsh Government on the consultation documents in Appendix 1.

It was explained that proposals were to keep preparation deadlines as 30<sup>th</sup> June and publish accounts at 31<sup>st</sup> August from 2018/19. When newly emerged authorities were in place from 2020/21 the timescales would shorten to preparing a statement by 31<sup>st</sup> May and publishing by 31<sup>st</sup> July. Officers supported the proposal and were currently looking at meeting the 31<sup>st</sup> May deadline earlier than the proposed date.

Wales Audit Office advised that there could be an opportunity for Monmouthshire County Council to be considered as a pilot site.

#### **14. AUDIT COMMITTEE FORWARD PLANNER**

We received and noted the Audit Committee Forward Planner for 2015-16.

#### **15. DATE AND TIME OF NEXT MEETING**

We confirmed that the next meeting of the Audit Committee would be held on Thursday 3<sup>rd</sup> December 2015 at 2.00pm.

**MONMOUTHSHIRE COUNTY COUNCIL**

**Minutes of the meeting of the Audit Committee held at County Hall, Usk,  
On Thursday 22<sup>nd</sup> October 2015 at 2.00 pm**

Members were advised that a training session for the Role of the Audit Committee would be held at 2pm on Tuesday 10<sup>th</sup> November 2015.

**The meeting ended at 4.40 pm.**



# Agenda Item 5

## Audit Committee Actions 22<sup>nd</sup> October 2015

Agenda Item:	Subject	Officer	Outcome
Agenda Item 6 23/09/15	Statement of Accounts	M. Howcroft	Members require an inventory of MCC museum exhibits.  <b>Hard copy of the inventory available upon request.</b>
Agenda Item 9 23/09/15	Early Departures and Vacant Posts	P. Davies	A breakdown of special payments by banding requested
Agenda Item 4 22/10/15	MCC response to issues raised by member of public on 16 <sup>th</sup> July - report	J. Robson	To be provided.
Agenda Item 5 22/10/15	Statement of Accounts	M. Howcroft/ J. Robson	Further information regarding rents received from the Raglan Site  <b>Cllr D. Edwards updated via email.</b>
Agenda Item 5 22/10/15	Statement of Accounts	M. Howcroft/ J. Robson	A detailed breakdown requested regarding profits generated through the retail markets. A previous email attachment had not been accessible  <b>Information emailed to Cllr Edwards as requested.</b>
Agenda Item 5 22/10/15	Statement of Accounts – follow up	N. Wellington	Further information regarding redundancy figures at Deri View  <b>Information emailed to the Chairman.</b>
Agenda Item 11 22/10/15	Unsatisfactory Audit Opinions – Passenger Transport Unit	R. Hoggins/ R. Cope	To provide Audit Committee with a report on action taken as result of recommendations.  <b>JANUARY MEETING</b>

<p><b>Agenda Item 11</b> <b>22/10/15</b></p>	<p>Unsatisfactory Audit Opinions – Procurement</p>	<p>S. James</p>	<p>To provide Audit Committee with a report on action taken as a result of recommendations.</p> <p><b>DECEMBER MEETING</b></p>
<p><b>Agenda Item 11</b> <b>22/10/15</b></p>	<p>Unsatisfactory Audit Opinions – Monmouthshire Enterprises</p>	<p>J. Boothroyd/ C. York</p>	<p>To provide Audit Committee with a report on action taken as a result of recommendations.</p> <p><b>JANUARY MEETING</b></p>

**PROCUREMENT ACTION REPORT – AUDIT COMMITTEE 3<sup>RD</sup> DECEMBER 2015**

Further to my attendance at Audit Committee on 22<sup>nd</sup> October 2015 in response to an Internal Audit opinion of unsatisfactory for the devolved procurement function. Please find enclosed the salient points taken from the Internal Audit recommendations together with the Strategic Procurement manager’s response to mitigate the risks identified along with a timeline by which the actions will be implemented.

No	Internal Audit Recommendation	Strategic Procurement Management Response	Planned Implementation Date
1.	<p>There should be a periodic review (every 5 years maximum) of all key financial documentation.</p> <p>Key EU and Welsh legislative changes (Public Contract Regulations 2015 &amp; Wales Procurement Policy Statement 2015) should be reflected in internal documentation and guidance such as Contract Procedure Rules &amp; the Council’s Procurement Strategy.</p>	<p>Contract Procedure Rules to be re-written to include salient Procurement legislation &amp; advice as documented in PCR2015.</p> <p>The Council’s Corporate Procurement Strategy to be redrafted (2016-20). The focus of this document will be the recommendations made within the Wales Procurement Policy Statement 2015 which also includes guidance on the achievement of the seven well being goals for Wales, as set out in the Well-being of Future Generations ( Wales) Act (2015)</p> <p>Generic templates for all above OJEU procurement requirements are already in situ. The Strategic Procurement Team provide dedicated support and guidance to ensure that all tendering requirements are advertised in accordance with the PCR2015.</p>	<p>30<sup>th</sup> June 2016.</p> <p>31<sup>st</sup> March 2016</p>
2.	<p>The Council’s Procurement Strategy should be reviewed and updated and reflect the aims and objectives of the Authority. It should then</p>	<p>The Council’s Procurement Strategy 2016-20 will be re-written and will reflect the key messages outlined within the Council’s Single Integrated Plan along with the principles of the Wales Procurement Policy Statement.</p>	<p>31<sup>st</sup> March 2016</p>

	be scrutinised, approved by Cabinet and published on the hub.		
3.	Contract Procedure Rules and the operational Buyers Guides should be checked to ensure that the advice given is consistent.	The amended Buyers Guide is being redrafted and all documentation will be cross referenced to ensure consistency.	31 <sup>st</sup> March 2016
4.	The Strategic Procurement Unit should be assisted by dedicated devolved procurement officers to put in place and maintain a register of Corporate Contracts along with a process to ensure that all contracts that have been awarded (in excess of £25,000) is captured.	<p>The Council's existing Contract Procedure Rules (8.3.1) requires information on the tendering process to be captured via a tender record log, once the tender returns have been opened in the presence of an opening party. This document should then be forwarded to the Strategic Procurement Unit where it is analysed and details of the successful contractor published via the hub.</p> <p>Members of the Corporate Procurement Network have recently had this message reinforced and this will be highlighted again within the re-drafted Buyers Guides. The Strategic Procurement Unit have also clarified the importance of our procurement requirements capturing our Corporate needs and not just relating to a single section or department.</p> <p>Members of the Corporate Procurement Network have assisted the Strategic Procurement Team in putting together a Forward Contracts Programme that will eventually sit on the Council's website. The aim of the Forward Contract Register is to ensure that dedicated professional procurement resource can be more effectively positioned when it is required for the scoping and advertising of the Council's procurement needs. This process will also aid internal buy in as well as providing potential supply chains a chance to view our up and coming opportunities.</p>	<p>Message reinforced via existing CPR's</p> <p>31<sup>st</sup> March 2016</p>

5.	<p>Consideration should be given to each Directorate having a nominated key contact for the procurement function, who is responsible for the delivery of all contracts above £25,000</p> <p>These members of staff should meet regularly as part of the Corporate Procurement Network.</p>	<p>Devolved officers have been identified (after an analysis of the Council's third party expenditure) to sit on a Corporate Procurement Network that comprises 10 of the Council's highest spending areas. This group is then complimented by Internal Audit and a representative from Economic Development and our schools. After undertaking some core procurement training from November 2014 onwards, the CPN now meet on a bi monthly basis to discuss 1) EU Procurement Directives to ensure our tendering process is in compliance with PCR2015.</p> <p>2) Opportunities that the new PCR2015 presents 3) The development of procurement control systems e.g CPR's, Buyers Guides, standard templates 4) E procurement 5) WPPS 6) Contract Management 7) SME's and lotting strategies etc.</p> <p>If the devolved procurement operating model is to become successful it is critical that we maintain consistency in the personnel that attend and that attendance is seen as having strategic importance to the Council.</p>	
6.	<p>There should be a list available to all staff of current in house service providers that must be used.</p>	<p>An up to date list of all " in house" service providers has now been developed and has been communicated via the hub.</p>	31 <sup>st</sup> October 2015.
7.	<p>Each Directorate should be required to provide a list of dedicated staff that would be involved in procuring contracts valued at or above the OJEU threshold. These staff should not be allowed to undertake such procurement activity in isolation until the Strategic</p>	<p>The Strategic Procurement Unit has gone some way to addressing the skill base that was evident within the devolved procurement function, with the introduction of a set of core procurement training competencies.</p> <p>The Strategic Procurement Unit now have regular planned dialogue with the devolved procurement leads to ensure that a</p>	

	Procurement Manager is confident that they are sufficiently skilled and trained.	dedicated resource is present to help plan all OJEU procurement opportunities. One member of the CPN is also undertaking his Professional Chartered Institute of Purchasing Qualifications.	
8.	The Strategic Procurement Unit should investigate the list of suppliers provided (where as part of the investigations, Internal Audit found that no single contract was in place) to determine if devolved units are acting in compliance with the procurement regulations.	The Strategic Procurement Unit will look to examine the information provided by Internal Audit to determine if the correct procedures are in place and will issue guidance dependent on the findings.	31 <sup>st</sup> March 2016
9.	To ensure compliance with procurement legislation and best practice, the Strategic Procurement Unit should, in partnership with CYP Finance Team, develop a bespoke set of Contract Procedure Rules for Schools.	The Strategic Procurement Manager is unable to locate any evidence of other Councils adopting a separate process for the control of schools third party expenditure. All schools are encouraged to familiarise themselves with the Council's Contract Procedure Rules and our requirements under the different purchasing thresholds. In addition, schools are already provided with a list of compliant framework arrangements that they are able to utilise. The Corporate Procurement Network also have a Schools representative in attendance. They have been tasked with making schools more aware of the requirements of our Internal controls.	
10.	Off Contract expenditure should be monitored on a periodic basis. Examples of " off contract expenditure" or inefficient use of resource should be identified and officers made aware of the correct process. Where repeated infringers are	Whilst the Corporate Procurement Unit would encourage a systematic review of " off contract expenditure", we need to ensure that our limited resource is focused on areas of more significant procurement risk to the Council.	

	made, then disciplinary action should be considered.	In the first instance our focus will be on ensuring robust guidance and control systems exist for undertaking our procurement requirements.	
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WALES **AUDIT** OFFICE  

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SWYDDFA **ARCHWILIO** CYMRU

## MCC / WAO Joint Progress Document

# Monmouthshire County Council

**Audit year:** 2014-15

**Issued:** October 2015

# Status of report

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This document has been prepared for the internal use of Monmouthshire County Council as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

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# Summary

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## Introduction

1. Our *2014-15 - Audit of Financial Statements report* summarised matters arising from the audit including highlighting any corrected and uncorrected misstatements and other issues for the Council's attention. None of the issues in that report prevented the Auditor General from issuing an unqualified opinion on the financial statements, but action is required by the Council to address some of these issues when preparing the 2015-16 financial statements. These are summarised in Exhibit 1.
2. We also identified other matters during our audit that were not reported to the Audit Committee within our *2014-15 Audit of Financial Statements report*. These issues are summarised in Exhibit 2.
3. In addition, in completing our audit, we reviewed the progress made by management in implementing the agreed issues that we reported in our *2013-14 Joint Progress report*. Whilst we are pleased to report that the Council has implemented the majority of the agreed actions a small number of areas remain where further action is required and these are highlighted within Exhibit 3.
4. The Council needs to address each of these issues during 2015-16 and we shall monitor implementation during our 2015-16 audit. It is also recommended that management provide an update to the Audit Committee of the progress made in resolving these issues when presenting the draft 2015-16 Financial Statements to the Audit Committee. These issues have already been discussed with the Head of Finance and her team.

**Exhibit 1 – Summary of issues raised in the Audit of Financial Statements report (presented to the September 2014 Audit Committee)**

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Capita Gwent Consultancy pension liability</u></b></p> <p>In our Audit of Financial Statement report, we reported that the Council had not included in its accounts its share of a potential £7.3million liability, or some £1 million, in respect of pension liabilities relating to employees of the former Capita Gwent Consultancy.</p> <p>Action is required by the Council to ensure that this liability is correctly accounted for within the 2015-16 financial statements.</p> <p><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• The Council needs to work closely with the Torfaen Pension Fund and the other Councils, involved in the arrangement, to ensure it is kept fully informed of developments in settling this issue; and</li> <li>• In the event of there being no further progress in settling the issue before 31/3/2016, the Council should request that the Pension Fund obtain a separate up to date valuation from the actuary in order to determine the Council's share of the liability and to ensure it is correctly accounted for.</li> </ul>	<p>Updated position of liability as at 31/03/16 to be recognised in the 2015/16 financial statements</p>	<p>To be dealt with as part of accounts closure</p>

**Exhibit 1 – Summary of issues raised in the Audit of Financial Statements report (presented to the September 2014 Audit Committee)**

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Incorrect asset life allocated to Innovation House</u></b></p> <p>We identified that the Council had allocated an asset life of 5 years to Innovation House in the fixed asset register (FAR) which was significantly less than asset lives for other Council buildings. The Council's Estates department subsequently confirmed that the asset life was incorrect and an asset life of 30 years was appropriate.</p> <p>This error resulted in the value of the Council's buildings within the accounts being understated by £1.161m with accumulated depreciation similarly overstated.</p> <p>Based upon our audit work we are satisfied that this is an isolated error.</p> <p><b>Recommendation</b></p> <p>The Council needs to:</p> <ul style="list-style-type: none"> <li>• Correct the Innovation House asset value and depreciation charge within the accounts; and</li> <li>• Update the asset life allocated in the FAR so that future depreciation calculations are correct.</li> </ul>	<p>To be corrected during 2015/16</p>	<p>Target Dec 2015</p>

**Exhibit 1 – Summary of issues raised in the Audit of Financial Statements report (presented to the September 2014 Audit Committee)**

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Depreciated replacement cost asset valuations</u></b></p> <p>We reported in our Audit of Financial Statements report issues relating to Council's use of the depreciated replacement cost (DRC) method in valuing assets, such as schools, leisure centres and other assets where there is no readily available market value.</p> <p>Whilst the CIPFA Code prescribes that valuers should not include finance costs when using the DRC method to value assets we identified that finance costs had been included in some of the Council's DRC asset valuations. We understand this arose as the guidance used by Estates (the Red Book) in completing the valuations, states that finance costs are to be included. The Council has estimated that asset valuations are overstated by some £535,000 by not following the approach prescribed by the Code.</p> <p><b>Recommendation</b></p> <p>The Council needs to recalculate asset values for all assets valued on a DRC basis as part of preparing the 2015-16 financial statements and update the fixed asset register accordingly.</p>	<p>To be adjusted during 2015/16 to remove finance costs</p>	<p>Target Dec 2015</p>

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Exhibit 1 – Summary of issues raised in the Audit of Financial Statements report (presented to the September 2014 Audit Committee)

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Agency income and Expenditure</u></b></p> <p>We identified that the Council had included amounts of income and expenditure in its Comprehensive Income &amp; Expenditure Account (CIES) where the Council was acting as an agent for other Councils. The issue arose where, for practical purposes, several Councils were amalgamating their own costs and billing SWTRA via one consolidated invoice instead of each Council billing SWTRA separately.</p> <p>The Council had included the gross amounts of the consolidated invoices in its accounts instead of the amount that it was entitled to had it invoiced SWTRA for Monmouthshire Council's costs only.</p> <p><b>Recommendation</b></p> <p>The Council needs to ensure it excludes the amounts of income and expenditure relating to other bodies in 2015-16.</p>	<p>The Operations and Central Finance accountants will ensure that income and expenditure relating to other bodies will be removed from the MCC accounts in 2015-16. These will be excluded via consolidation adjustments on the face of the statements</p>	<p>To be actioned during accounts closure 2015/16</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Related Party Transactions</u></b></p> <p>The Council is required to identify transactions with related parties and disclose these in its financial statements. The CIPFA code identifies related parties as transactions involving persons able to control or influence an entity and includes close family members within this definition.</p> <p>The current process involves circularising senior managers and elected Councillors to identify related parties but it does not include the identification of any related parties of close family members of Councillors and senior managers.</p> <p><b>Recommendation</b></p> <p>The current circularisation procedure needs to be amended so that close family members are included in the related party return.</p>	<p>The related parties year-end procedure will be amended to ensure that the question is asked in relation to close family members are included on the Senior Officer return</p>	<p>To be actioned during accounts closure 2015/16</p>



Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Disposal of assets</u></b></p> <p>The Council identified that, as part of the 2014-15 accounts closedown process, vehicles that had been disposed of in 2011-12 were still included in the fixed asset register. The Council subsequently made correcting entries for this issue in the 2014-15 accounts. Delays in capturing fixed asset disposals affect the accuracy and reliability of the asset values recorded in the fixed asset register. We believe this issue arose as vehicles are recorded on a separate asset list that is not regularly reconciled with the fixed asset register.</p> <p><b>Recommendation</b></p> <p>The Council needs to ensure the fixed asset register and list of vehicles held are reconciled on a regular basis.</p>	<p>A process is being set up to keep an up to date list of vehicles by liaising with the Transport Section. Historical errors will be updated during 2015/16</p>	<p>Meeting with Transport being arranged for December 2015. Process to be complete by 15/16 year end</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Misclassification issues</u></b></p> <p>As part of our audit testing we identified the following misclassification issues:</p> <ul style="list-style-type: none"> <li>• Expenditure of some £696,000 incurred in undertaking the replacement Monmouthshire Comprehensive School feasibility study has been recorded in the fixed asset register within operational assets but should be recorded in assets under constructions until the asset is brought into use;</li> <li>• A 3G pitch physically located at Caldicot Leisure Centre is currently shown against Chepstow Leisure Centre in the fixed asset register;</li> <li>• Capital expenditure of £225,000 relating to Chepstow Leisure Centre is recorded in the fixed asset register against Caldicot Leisure Centre; and</li> <li>• The movement in the Council Tax impairment figure per the I&amp;E Statement (note 11.4) is different to the corresponding movement in the debtors note (13.5) by some £95k. The £95k relates to potential future court cases in defending unpaid Council tax cases and should be accounted for as a provision.</li> </ul> <p><b>Recommendation</b></p> <p>The Council needs to:</p> <ul style="list-style-type: none"> <li>• Amend the fixed asset register for the above misclassifications; and</li> <li>• Account for Council tax court costs within the provisions note when preparing the 2015-16 accounts.</li> </ul>	<p>To be moved after rollover of fixed asset register</p> <p>Council Tax Court Case provision to be facilitated by CEO accountant at year-end as part of closedown procedure</p>	<p>Target Dec 2015</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Osbaston School – transfer of legal title</u></b></p> <p>As part of the audit, we considered how Voluntary Aided (VA) and Voluntary Controlled (VC) schools were accounted for in the Council’s accounts. We considered this issue in response to a CIPFA technical panel pronouncement that concluded that Council’s should continue not to account for them on their balance sheets. Our review of CIPFA’s guidance indicated that there was a presumption that legal title would be transferred to the recipient body.</p> <p>However, we identified that while Osbaston School was accounted for as an off balance sheet asset, in line with the CIPFA guidance, full transfer of legal title had not yet taken place. We understand however that this transfer is progressing and that it has been subject to delay.</p> <p><b>Recommendation</b></p> <p>The Council needs to formally complete the transfer of legal title for Osbaston School prior to closing the 2015-16 accounts.</p>	<p>Progress to be reviewed during 2015/16</p>	<p>Target 31/3/2016</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Insurance reserve and insurance provision note 13.7</u></b></p> <p>As part of our discussions with the Council during the audit, we were informed that the Council planned to review the level of its insurance reserve during 2015-16 for reasonableness. We noted that the level of the related reserve, set aside to fund the Council's insurance claims, is greater than the estimated value of all claims received by the Council by some £1.55m.</p> <p><b>Recommendation</b></p> <p>The Council should re-evaluate the level of the Insurance Reserve that it holds.</p>	<p>An actuarial assessment of the required level of Insurance reserve has been commissioned and will inform the calculation for year end</p>	<p>Assessment commissioned</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Cashflow statement</u></b></p> <p>We identified several figures in the cashflow statement that did not tie in directly to the movements in the balance sheet. We have summarised the these below:</p> <ul style="list-style-type: none"> <li>• Impairment and downward revaluations - differed to the accounts by some £316,000;</li> <li>• Movement in debtors - differed to the accounts by some £647,000;</li> <li>• Movement in Creditors - differed to the accounts by some £1,000,000; and</li> <li>• Movement in bad debt provision - differed to the accounts by some £40,000. Within this movement we noted a provision for NNDR (£97,000) which has no provision against it the accounts; Corporate Sundry debtors figures differed to the movement in shown Note 13.5 (Debtors analysis) by £39,000 and the movement in Council Tax provision also differed to that shown Note 13.5 by some £94,000</li> </ul> <p><b>Recommendation</b></p> <p>The cashflow statement and supporting working papers need to be revisited in 2015-16 with the aim of ensuring cashflow movements are linked to movements in the accounts.</p>	<p>It was the intention to prepare workings as part of the note preparation process but time pressures did not allow.</p> <p>Will be added to 2015/16 closure procedures.</p>	<p>2015/16 year end</p>

Exhibit 2 Summary of other issues arising from the Audit not reported in the Audit of Financial Statements Report

Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Accounting for Sale and Leaseback transactions under IAS17</u></b></p> <p>The Council enters into sale and leaseback arrangements for several classes of vehicles. Such transactions need to be supported by a technical assessment of the 8 factors within International Accounting Standard (IAS) 17 in order to determine whether the lease is an operating lease or a finance lease and therefore on/off balance sheet.</p> <p>Previously Sector have undertaken this assessment on behalf of the Council and they assessed each of the criteria within IAS17 individually to inform their overall conclusion as to whether the lease is an operating or finance lease. For the current year Capita Finance have completed the assessment but have only provided a summary conclusion of their assessment of the leases without documenting how they have considered each element of IAS17. As a result, we consider that the quality of the evidence to support the Council's accounting treatment is less robust.</p> <p><b>Recommendation</b></p> <p>Capita should be requested to provide a comprehensive assessment against each of the individual criteria detailed within IAS17.</p>	<p>Agreed to do so for future assessments</p>	<p>Target – time of next assessment</p>

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Issue/Recommendation	Agreed Action/Date	Progress
<p><b><u>Dragon Waste Royalties</u></b></p> <p>We identified that the Council receives royalties of some £31,000 in respect of its waste contract with Dragon Waste. Currently the Council accounts for these transactions when it receives the cash and not on an accruals basis.</p> <p><b>Recommendation</b></p> <p>The Council needs to account for Dragon waste royalties on an accruals basis, using estimates where actual waste information is not known.</p>	<p>An account code and budget has now been set up to formally identify and capture this income in 2015-16 and accrue if required.</p> <p>Accrual for these costs is however in the ledger for 2014-15</p>	<p>Complete</p>

Exhibit 3 Summary of progress against issues reported in the prior year joint progress document

Issue/Recommendation	2014-15 Audit Finding	Agreed Action/Date	Progress
<p><b><u>Content of the Annual Governance Statement</u></b></p> <p>The Council should cross-reference the Accounting Code/CGC requirements to its AGS making amendments as necessary to ensure required content can be clearly identified in the statement.</p>	<p>A copy of the AGS that included references to Code requirements was not provided to us as part of the audit.</p>	<p>The Accounting Code and the Code of Corporate Governance will be taken into consideration when compiling the AGS in future to ensure all expectations have been met.</p>	<p>This will be done as part of the 2015/16 AGS process.</p>
<p><b><u>Removal of nil value assets from the fixed asset register</u></b></p> <p>The fixed asset register needs to be reviewed to ensure all assets in use that are fully depreciated and still owned by the Council are allocated a £1 nominal value.</p> <p>The Council needs to review the working paper supporting note 12.1f to ensure that there are clear links to the fixed asset register.</p>	<p>Not fully implemented there are assets with nil GBV in the asset register. It is unclear if these assets are still in use or have been disposed of.</p>	<p>Assets which are fully depreciated and which were no longer owned by the council at 31/3/2015 will be revalued to nil and retained for information purposes. Anything remaining with a positive GBV can therefore be assumed to be still owned by the Council.</p>	<p>This process was done in 14/15 except for vehicles and will be reviewed again in 15/16 before year end.</p>





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Reference	MCC/AMH
Date	23/11/2015
Pages	1 of 3

Dear Councillor Fox

## Annual Audit Letter – Monmouthshire County Council 2014-15

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

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

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 29 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 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 and full Council in my Audit of Financial Statements report on 23 and 24 September 2015 respectively.

We reported that a number of amendments were made to the draft financial statements and that there were also several uncorrected misstatements in the financial statements which were not material and were therefore not adjusted for. A more detailed report covering these matters, and some additional issues identified during our audit together with our recommendations, will be presented to the Council's Audit Committee in December.

**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 we have 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 recently published Annual Improvement Report, which incorporates the Corporate Assessment Report, highlights areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

The Council continues to face significant financial challenges and we are currently completing a review of the Council's financial resilience. Similar work is being undertaken at all other local government bodies in Wales and it follows up work carried out in 2014-15. A report will be issued to the Council later in the year.

**I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2015**

**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**

Our grants certification audit work for 2014-15 at the Council is not yet fully complete. However we have not identified any significant issues to date that I need to communicate

to you within this letter. A detailed report on my grant certification work will follow in February 2016 once this year's 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**

Under the requirements of the Public Audit (Wales) Act 2013 we are required to ensure that our fees do not recover any more than the full cost of an audit. In our Annual Audit Outline, we estimated that our fee for audit of the 2014-15 financial statements would be £176,068, and we are comfortable that our actual fee will not exceed this amount. We will notify you separately should any refund be due to the Council once the final cost of the audit has been calculated in early 2016.

Yours sincerely

**Ann-Marie Harkin**  
**For and on behalf of the Auditor General for Wales**

cc Mr Paul Matthews, Chief Executive  
Mrs Joy Robson, Head of Finance

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**SUBJECT: Proposal to revise the Policy on Minimum Revenue Provision (MRP) for 2016/17**

**MEETING: Audit Committee**

**DATE: 3<sup>rd</sup> December 2015**

## **1. PURPOSE:**

- 1.1 To appraise the Audit Committee of an opportunity to revise the Minimum Revenue Provision Policy Statement for 2016/17.
- 1.2 To outline the budget consequences of the proposed changes.

## **2. RECOMMENDATIONS:**

- 2.1 It is recommended that Audit Committee:
  - a) Scrutinise the proposed change to the MRP Policy and if agreed
  - b) Endorse the submission of the revised Policy to Council for approval which changes the approach concerning the Minimum Revenue Provision on Unsupported Borrowing moving it from an equal instalment basis to an annuity basis.
- 2.2 To continue to work on reviewing the approach adopted concerning the Minimum Revenue Provision for supported borrowing, and bring back further proposals on the options available.

## **3. BACKGROUND**

### **Legislative framework and guidance**

- 3.1 The concept on the Minimum Revenue Provision (MRP) was introduced when the Local Government Capital Finance System was changed on 1 April 1990. This required local authorities to assess their outstanding debt and to make an annual charge to the General Fund of 4% of the General Fund Debt (capital financing requirement CFR).
- 3.2 The arrangements were further endorsed in Wales, under regulation 22 of the Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 , which required local authorities to charge to their revenue account for each financial year MRP to account for the cost of their unfinanced capital expenditure i.e their borrowings.

- 3.3 The 2008 Regulations revised the former regulation 22, in favour of replacing detailed rules with a simple duty for an authority each year to make an amount of MRP which it considers to be “**prudent**”. The regulation does not itself define “prudent provision”. However, the MRP guidance makes recommendations to authorities on the interpretation of that term.
- 3.4 The broad aim of a prudent provision was to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits or in case of borrowing supported by government, reasonably commensurate with the period implicit in the determination of the grant, although Councils retain a discretion to pay more than the minimum calculated sum.
- 3.5 The issue of statutory MRP guidance has been made possible by section 238(2) of the Local Government and Public Involvement in Health Act 2007, which amends section 21 of the Local Government Act 2003. Section 21 already allowed regulations to be made on accounting practices and is the power under which the existing MRP regulations were made. The amendment inserts a new section 21(1A) into the 2003 Act, enabling Welsh Ministers also to issue guidance on accounting practices and thus on MRP. Authorities are obliged by new section 21(1B) to “have regard” to such guidance – which is exactly the same duty as applies to other pieces of statutory guidance including, for example, the CIPFA Prudential Code, the CIPFA Treasury Management Code.
- 3.6 Welsh government has issued statutory guidance that councils are required to “take account of” in deciding what is “prudent”. Authorities are also asked to prepare an annual statement of their policy on making MRP for submission to their full council. In Monmouthshire this is included with the Treasury Strategy report to full Council before the start of each financial year.

### **Options for Prudent Provision in the statutory guidance**

- 3.7 The guidance envisages that authorities can distinguish between borrowing that is “supported” (through the RSG system) and other borrowing. The guidance also sets out four options for making MRP;

**Option 1 - the regulatory method** – this is basically the “old” system for determining MRP as though the 2003 regulations had not been revoked in 2008. So it involves making a 4% of outstanding debt provision, amended by a calculation on the credit ceiling and capital finance requirement on 1 April 2004, and the “commutation adjustment” which arises because authorities incurred losses when the Government commuted annual grant related an adjustment to home improvement grants in 1992.

**Option 2 - the CFR method** - this is a simplification of the above and involves simply setting MRP equal to 4% of the non housing CFR at the end of the preceding financial year.

Note: Capital Financing Requirement (CFR) is a measure of the underlying need to borrow for capital purposes. When capital expenditure is not paid for immediately, by resources such as capital receipts, capital grants or other contributions, then the CFR increases.

**Option 3 - the asset life method** – this method requires MRP to be charged over the asset life using either an equal instalment method or annuity method, and permits

an additional voluntary provision in any year which may be matched by an appropriate reduction in a subsequent year's MRP. Equal instalment involves paying the same amount each year. Annuity method involves smaller payments in the early years and larger payments in the latter years. The asset life is determined in the year MRP commences and is not subsequently revised. The guidance suggests freehold land should be treated as having a 50 year life, but that where a building or other structure is constructed the life may be treated as matching the structure where this would exceed 50 years. Commencement of MRP can be made in the financial year following the one in which the asset becomes operational.

**Option 4 - the depreciation method** – this requires depreciation accounting to be followed, including impairment should assets last for a shorter period than originally envisaged, until the element of the asset funded by borrowing has been paid in full.

### **Conditions for using the options**

- 3.8 The guidance suggests the options 1 regulatory and options 2 CFR methods are to be used for expenditure prior to 2008/09, or that which is “supported”. It goes on to observe that the options 3 asset life methods and option 4 depreciation methods are prudent approaches for capital expenditure which does not form part of the authority's Supported Capital Expenditure. However options 3 and 4 can also be used for all capital expenditure at the authority's discretion. In some technical cases (including expenditure capitalised by direction, software and purchase of shares), the asset life method is suggested with assumed lives.
- 3.9 The guidance makes some assumptions; firstly that we can easily distinguish between schemes funded by “supported” borrowing and other borrowing (sometimes referred to as “prudential borrowing”).
- 3.10 In addition it appears to assume that where there is borrowing on a scheme it is either “supported” or not. Neither of these assumptions are necessarily true, although the guidance does recognize that it is conventional where depreciation approaches have been used not to start depreciation until the asset comes into use. (We have used this convention (which has also been included within MRP regulations) to delay the commencement of MRP on the borrowing funded costs of any capital development.
- 3.11 It is important to highlight that whilst Authorities must always have regard to the guidance, having done so, they may in some cases consider that a more individually designed MRP approach is justified. That could involve taking account of detailed local circumstances, including specific project timetables and revenue-earning profiles.

### **Current Policy**

- 3.12 Currently the Authority uses Option 2 the CFR method in respect of supported capital expenditure funded from borrowing. Under this option, MRP is calculated at 4% on a reducing balance basis. MRP amounts repaid are recalculated each year on the revised balance so it can take a long time to pay any liability in full. Option 3, the Asset Life method based on equal instalments, is used for unsupported borrowing.

### **Revised Approach**

- 3.13 Increasingly Local authorities are relooking at their MRP calculation to reduce the pressure on the revenue budget whilst still ensuring that a prudent level of provision is set aside. It should be stressed the change to MRP calculation should not be regarded as a saving, it is more accurately just a beneficial change in cash flows in the front half of any annuity and results in larger costs to be incurred in latter years.
- 3.14 The Council has a series of choices concerning its MRP calculation.

### **Options for Unsupported Borrowing**

- 3.15 The Council has adopted Option 3 of the Welsh Government's MRP Guidance for unsupported capital expenditure. Within option 3, two methods are identified. The first of these is the equal instalment method where MRP is charged on a straight line basis over the estimated life of the asset. The method allows an authority to make voluntary extra provision in any year. The Council has adopted the equal instalment method in its MRP Statement.
- 3.16 The alternative under Option 3 is the annuity method, which tends to evidence a trend of smaller payments in early years and larger payments on later years and has the advantage of linking MRP to the flow of benefits from an asset where the benefits are expected to increase in later years. An annuity can be structured to pay out funds for a fixed amount of time so like straight line this approach is designed to pay off a liability in a set period. Cipfa's Guidance states *'the informal commentary on the statutory guidance suggests that the annuity method may be particularly attractive in projects where revenues will increase over time. However, it is arguably the case that the annuity method provides a fairer charge than equal instalments as it takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now. The schedule of charges produced by the annuity method thus results in a consistent charge over an asset's life, taking into account the real value of the amounts when they fall due. The annuity method would then be a prudent basis for providing for assets that provided a steady flow of benefits over their useful life'*
- 3.17 Given the above, consideration has been given to assessing the impact of adopting the annuity method for the council since the new regulations came into force. Calculations have been undertaken on the Council's unsupported borrowing using average PWLB Annuity Rates for each year since 2008/09 with the asset life linked to the appropriate PWLB loan period. MRP has commenced in line with the Welsh Government's MRP Guidance i.e. in the year following that in which the asset became operational in all cases (in a few specific cases the Council has commenced MRP in the year capital expenditure was incurred and also adopted an annuity approach).
- 3.18 Under the revised calculations £1.832 million less would have been set aside as MRP. This represents the combination of using the Annuity Method along with commencing MRP in line with the Welsh Government's MRP Guidance. The Council would also gain a positive cash flow against current approach until 2027-28.
- 3.19 Going forward any projections of new unsupported borrowing would also be calculated on an annuity basis and therefore alter the amounts set aside in the revenue MTFP. For 2016/17 the positive cashflow benefit would be £304k. The table



in the resource implications section of this report outlines the adjustments that would be made.

- 3.20 An MRP Statement for 2016/17 based on the alternative options contained in this report is attached as Appendix 2

### Options for supported borrowing

- 3.21 The Council has adopted Option 2 of the Welsh Government’s MRP Guidance for its supported capital expenditure. Under this Option MRP has historically been calculated at 4% on a reducing balance basis.
- 3.22 The percentage charge i.e 4% for supported borrowing could be reviewed. Ignoring any reducing balance aspect to the calculation, this 4% could be simplistically attributed to a useful economic life of circa 25 years. A review of the asset register is required to assess an average asset life in order to consider if 4% could be reduced based on a longer average asset life. Also consideration can be given to adopting an Annuity based calculation for MRP on the supported capital expenditure element of the CFR, whilst also amending the percentage charged. Further work is required on this aspect and will be brought back before the Committee at a future meeting.

### External Audit view

- 3.23 Given that the external auditor will need to sign off the accounts as “presenting fairly” the authority’s financial position, the proposed approach will need to demonstrate that it is “prudent” in WAO’s view. They are currently considering the report and will provide a response in due course.

## 5. RESOURCE IMPLICATIONS:

- 5.1 Based on the options explored above the Council could derive the following beneficial cash flow implications.

	2016-17	2017-18	2018-19	2019-20	Total
	£'000	£'000	£'000	£'000	
<b>Option C: Move to annuity based on asset life on unsupported borrowing - retrospective</b>	<b>(1,832)</b>	<b>1,832</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Option D: Move to Annuity based on asset life on unsupported new capital expenditure</b>	<b>(304)</b>	<b>(6)</b>	<b>(24)</b>	<b>(38)</b>	<b>(372)</b>
<b>Total</b>	<b>(2,136)</b>	<b>1,826</b>	<b>(24)</b>	<b>(38)</b>	<b>(372)</b>

## **6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS**

- 6.1 Whilst the adoption of the revision to the MRP Policy could have a favourable effect on the Council's 2016/17 Medium Term Financial Plan, it needs to be stressed that these cash flow adjustments should not be considered as savings, the change merely pushes expenses towards the latter half of repayment schedule. However it can be argued that the annuity method takes account of the time value of money, whereby paying £100 in 10 years' time is less of a burden than paying £100 now. It therefore provides a consistent charge over an asset's life.

## **7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

None

## **8. CONSULTEES:**

Head of Finance  
Chief Executive  
Executive Member for Resources  
Audit committee

## **9. BACKGROUND PAPERS:**

Appendix 1 Annual Forecast of Existing and Modelled MRP changes  
Appendix 2 proposed MRP Statement for 2016/17

## **10. AUTHOR:**

**Mark Howcroft, Assistant Head of Finance**

## **11. CONTACT DETAILS:**

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## **Appendix 2 - MRP Statement 2016/17**

The Welsh Government's Guidance on Minimum Revenue Provision (issued in 2010) places a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Welsh Ministers and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003.

The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

*Note: This does not preclude other prudent methods.*

### **MRP in 2016/17:**

Options 1 and 2 may be used only for supported (i.e. financing costs deemed to be supported through Revenue Support Grant from Central Government) Non-HRA capital expenditure funded from borrowing. Methods of making prudent provision for unsupported Non-HRA capital expenditure include Options 3 and 4 (which may also be used for supported Non-HRA capital expenditure if the Authority chooses).

The MRP Statement will be submitted to Council before the start of the 2016/17 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement should be put to Authority at that time.

The Authority will apply Option 2 in respect of supported capital expenditure funded from borrowing and Option 3 in respect of unsupported capital expenditure funded from borrowing. There are 2 calculation methods which are available within option 3.

- The equal instalment method and
- The annuity method – whereby the MRP is the principal element for the year of the annuity required to repay the capital expenditure over the life of the asset

The annuity method will be used for unsupported borrowing. This is a change to previous policy, which was to use an equal instalment method.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the CIPFA Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.



Option	2015/16		
	Supported Borrowing	Unsupported Borrowing	Total MRP
2015/16 MTFP	£3,128,189	£2,403,095	£5,531,284
Budget Virements 2015/16 (Vehicles)		£119,435	£119,435
Budget Virements (Vehicles)			
Set aside against ACM expenditure 2015/16		-£262,902	-£262,902
<b>New options:</b>			
<b>Option C:</b> Move to Annuity based on asset life on Unsupported - Retrospective			£0
<b>Option D:</b> Move to Annuity based on asset life on Unsupported new capex			£0
<b>Adjusted MRP budget</b>	£3,128,189	£2,259,628	£5,387,817

Increase/(Decrease) from existing MTFP -£262,902

Summary of Options	2015/16	2016/17	2017/18
	£'000s	£'000s	£'000s
<b>Option C:</b> Move to Annuity based on asset life on Unsupported - Retrospective	0	-1,832	1,832
<b>Option D:</b> Move to Annuity based on asset life on Unsupported new capex	0	-304	-6
<b>Total</b>	<b>0</b>	<b>-2,136</b>	<b>1,826</b>

**Control:**

ACM set aside	-6,250,063		
Total ACM capex	6,250,063		0
Overall Control	£0	£0	£0

**Notes:**

Populated annuity rates for 2016 onwards with same rates as 2015  
Still have £204k in treasury reserve - not needed if budget fully costed

PFI/Finance Lease MRP	£29,003		
Vehicle MRP		£119,435	
Vehicle MRP virements back to service		£0	



2016/17			2017/18			
Supported Borrowing	Unsupported Borrowing	Total MRP	Supported Borrowing	Unsupported Borrowing	Total MRP	Supported Borrowing
£3,101,833	£2,385,578	£5,487,411	£3,159,694	£2,426,201	£5,585,895	£3,225,640
	£119,435	£119,435		£119,435	£119,435	
	£53,072	£53,072		£93,966	£93,966	
-£0	-£262,902	-£262,902	£39,774	-£263,358	-£223,584	£71,487
	-£1,831,866	-£1,831,866			£0	
	-£304,134	-£304,134		-£309,847	-£309,847	
£3,101,833	£159,183.21	£3,261,016	£3,199,468	£2,066,398.37	£5,265,867	£3,297,127

-£2,226,395

-£320,029

2018/19	2019/20
£'000s	£'000s
0	0
-24	-38
-24	-38

£0

£0

£0

-£0

£0

-£0

£0

£29,815

£119,435  
£53,072

£30,650

£119,435  
£93,966

£31,509

£3,102,466	£2,563,525	<b>£5,665,991</b>	£3,042,304	£2,293,502	<b>£5,335,806</b>	£3,019,521
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2018/19		2019/20		
Unsupported Borrowing	Total MRP	Supported Borrowing	Unsupported Borrowing	Total MRP
£2,360,255	<b>£5,585,895</b>	£3,225,640	£2,360,255	<b>£5,585,895</b>
£70,350	<b>£70,350</b>		£70,350	<b>£70,350</b>
£293,941	<b>£293,941</b>		£190,208	<b>£190,208</b>
<b>-£263,358</b>	<b>-£191,871</b>	£169,169	<b>-£263,358</b>	<b>-£94,189</b>
	£0			£0
<b>-£333,691</b>	<b>-£333,691</b>		<b>-£371,743</b>	<b>-£371,743</b>
£2,127,496.89	<b>£5,424,624</b>	£3,394,809	£1,985,711.92	<b>£5,380,521</b>

**-£161,271**

**-£205,374**

£0

£0

£0

£0

£0

£70,350  
£293,941

£32,391

£70,350  
£190,208

£2,312,834	<b>£5,332,355</b>	£2,997,709	£2,521,533	<b>£5,519,242</b>
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**SUBJECT: INTERNAL AUDIT SECTION  
CONTRACT PROCEDURE RULES -  
EXEMPTIONS**

**DIRECTORATE: Chief Executives  
MEETING: Audit Committee  
DATE: 3<sup>rd</sup> December 2015  
DIVISION/WARDS AFFECTED: All**

## **1. PURPOSE**

- 1.1 To consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules since the last report in July 2015.
- 1.2 To inform the Audit Committee of the number of waivers requested by operational managers and to identify any non compliance with the process or adverse trends.

## **2. RECOMMENDATION(S)**

- 2.1 That the Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.
- 2.2 If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.
- 2.3 That the Audit Committee receive an updated report in 6 months time to include any further responses obtained by the Chief Internal Auditor.

## **3. KEY ISSUES**

- 3.1 To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- 3.2 Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.

- 3.3 Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

#### 4. REASONS

- 4.1 Council approved the revised Contract Procedure Rules for Monmouthshire County Council in April 2009. This was as a result of a major update of the Council's former Contract Standing Orders which incorporated compliance with the Procurement Strategy.
- 4.2 The previous report was presented to Audit Committee in July 2015. This report covers the period June 2015 to October 2015.

#### 5. EXEMPTIONS - Background

- 5.1 Although the Contract Procedure Rules were written to ensure a consistent and fair approach to how officers procure works, goods and services on behalf of the Council, there will be occasions where full compliance may not be appropriate. Provided there is sufficient justification and appropriate approval for not following these rules then that is permissible within the agreed policy.
- 5.2 Management need to ensure that the use of exemptions is proper and they are not being used for convenience or to avoid following CPRs. Exemptions from CPRs are therefore administered by Internal Audit, although approvals are given by Heads of Service, Chief Officers and or Cabinet Members.
- 5.3 The following table shows the requests for exemptions from CPRs since the revised CPRs were approved by Council.

Period		No' of exemption requests	Cumulative
1 <sup>st</sup> April 2009	31 <sup>st</sup> August 2010	41	41
1 <sup>st</sup> September 2010	31 <sup>st</sup> August 2011	19	60
1 <sup>st</sup> September 2011	31 <sup>st</sup> August 2012	32	92
1 <sup>st</sup> September 2012	31 <sup>st</sup> March 2013	10	102
1 <sup>st</sup> April 2013	31 <sup>st</sup> October 2013	16*	117
1 <sup>st</sup> November 2013	31 <sup>st</sup> May 2014	15	132
1 <sup>st</sup> June 2014	31 <sup>st</sup> October 2014	9	141
1 <sup>st</sup> November 2014	31 <sup>st</sup> May 2015	33	174
1 <sup>st</sup> June 2015	31 <sup>st</sup> October 2015	5	179
* (includes 111a) and 111b))			

5.4 The majority of exemption forms have been returned to Internal Audit although there are some which are still outstanding so it is not possible to determine whether or not the correct procedures have been followed in all cases.

Period			No' of requests	Returned to IA	Correctly authorised	Not Required	Not Returned
1 <sup>st</sup> 2014	June	31 <sup>st</sup> October 2014	9	6	6		3
1 <sup>st</sup> 2014	November	31 <sup>st</sup> May 2015	33	22	22	N/A	11
1 <sup>st</sup> 2014	June	31 <sup>st</sup> October 2015	6	4	3	2	0

5.5 This process will only capture the exemptions which have been requested via and returned to Internal Audit.

5.6 The process is as follows:

- Obtain a sequentially numbered exemption form from Internal Audit
- Record the reason for requesting the exemption on the form
- Obtain the appropriate level of approval
- Return the fully signed off and approved form to Internal Audit

## 6. EXEMPTIONS – June 2015 to October 2015

6.1 Of the 6 requested exemptions, all have been returned to Internal Audit.

6.2 All officers who requestan exemption will be reminded to return the form to Internal Audit by the Chief Internal Auditor.

6.3 3 out of 4 returned forms had been appropriately authorised. This is reassuring in that the managers who are aware of the process are following the correct process.

6.4 Although Heads of Service and operational managers were made aware of the revised Contract Procedure Rules at the time, the main concern is that current operational managers may be non compliant because they are not seeking the appropriate exemptions.

**7. RESOURCE IMPLICATIONS**

None.

**8. CONSULTEES**

Head of Finance

**Results of Consultation:**

**9. BACKGROUND PAPERS**

Report to Council 2<sup>nd</sup> April 2009 – Contract Procedure Rules

**10. AUTHOR AND CONTACT DETAILS**

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**AUDIT COMMITTEE DECEMBER 2015**  
**CONTRACT PROCEDURE RULES - EXEMPTIONS**

**APPENDIX 1**

**Contract Procedure Rules  
Exemption Forms Log**

		Period	Exemption Ref
<b>Report 1</b>	<b>Jan-11</b>	<b>April 2009 to 31 Aug 2010</b>	<b>1 – 41</b>
<b>Report 2</b>	<b>Nov-12</b>	<b>September 2010 to August 2011</b>	<b>42 – 60</b>
		<b>September 2011 to August 2012</b>	<b>61 – 92</b>
<b>Report 3</b>	<b>May -13</b>	<b>September 2012 to March 2013</b>	<b>93 – 102</b>
<b>Report 4</b>	<b>December -13</b>	<b>April 2013 to October 2013</b>	<b>103 - 117</b>
<b>Report 5</b>	<b>July 2014</b>	<b>November 2103 to May 2014</b>	<b>118 - 132</b>
<b>Report 6</b>	<b>December 2014</b>	<b>June 2014 to October 2014</b>	<b>133 - 141</b>
<b>Report 7</b>	<b>July 2015</b>	<b>November 2014 to May 2015</b>	<b>142 - 174</b>
<b>Report 8</b>	<b>December 2014</b>	<b>June 2015 to October 2015</b>	<b>174 - 179</b>

Exemption 174 has been reported in the current report for completeness

June 2015 to October 2015 [Exemptions 174 - 179]

Number	Requester	Details / comment	Estimated Contract Value £	Directorate	Date	Correctly authorised	Date Returned to Internal Audit	Reason for exemption
174	Steve Lane Area Engineer Highways	Purchase of a lorry (GF12 MXO) adapted for multiple uses. The vehicle has been hired from new, but is now being offered for sale by the hire company.	£20,800 (exc. VAT)	CEO	27/05/2015	N - authorised by senior manager (Tony Wallen) rather than Head of Service (Roger Hoggins)	22/07/2015	Specialist supplier (vehicle is known to us, adapted by us and has been well maintained). Form outlines that its cheaper to buy rather than continue to rent (based on 5 more years use) and that price is competitive for age/mileage.
175	Nikki Wellington/ Simon Kneafsey	1 year contract for IT Consultancy for 21st Century Schools	19,000	CYP	29/06/2015	Y	02/07/2015	Work of specialist nature. Chosen supplier (Agyllisis) has knowledge of MCC and its ICT infrastructure from previous work. Both the SRS and EAS have confirmed that they do not have sufficient resources available to provide this service so an external company is required.



176	Sian Hayward	Wi- Fi for new Raglan Primary School. Wi-Fi needed to allow School to operate appropriately when it opens in September. Wi-Fi was omitted from original tender for School.	tbc	tbc	06/07/2015	DID NOT PROCEED	Informed by SH on 11/8/15 that exemption was not required - contract was subsequently arranged by SRS under TCBC arrangements.	n/a
177	Mark Holley	Computer system - urgent purchase of system that is universally accepted by all insurers. Move to new system tied up with current tender process	tbc	Finance	03/09/2015	Y	01/10/2015	Specialist provider
178	Mark Holley	Insurance tender - to ensure tender is issued and in place prior to 1st October	tbc	Finance	18/09/2015	DID NOT PROCEED	Not required - decision was approved by Single Member & HoF	n/a
179	Debbie Jackson	Purchase of used 17 seater minibus for Gwent Outdoor Centres	17,500	Operations	19/10/2015	Y	29/10/2015	Awarded directly to the supplier for the provision of service on the basis of extreme urgency.

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<b>SUBJECT</b>	<b>Progress Report: Wales Audit Office Proposals for Improvement at October 2015</b>
<b>MEETING:</b>	<b>Audit Committee</b>
<b>DATE:</b>	<b>3<sup>rd</sup> December 2015</b>

## 1. PURPOSE

To provide Audit Committee with an update on the authority's progress against the Wales Audit Office (WAO) proposals for improvement up to the end of October 2015.

## 2. RECOMMENDATIONS

That members consider the current position of proposals and future actions committed in response to the proposals and identify any areas where they feel further action needs to be taken or further information is required.

## 3. KEY ISSUES

- 3.1 Proposals for improvement are made by the WAO as advice to support the authority's development. These are distinct from statutory recommendations that require the authority to set actions in response within 30 working days of their receipt.
- 3.2 The proposals included in the report are those issued to the Council as a result of regulatory work conducted by the WAO in the authority. The specific WAO reports which have instigated the proposals are referenced in the update.
- 3.3 In November 2015 the WAO Annual Improvement Report 2014-15, incorporating the Corporate Assessment Report 2015, was published. This included a further nine proposals for improvement. There were no statutory recommendations. This report will be presented to Cabinet and subsequently Audit Committee in January 2016. The action the Council will take in response to these proposals will be included when this is reported and these are therefore not included in this report at this stage.
- 3.4 The report members are considering today highlights:
  - The specific proposal, or more than one proposal if they are closely linked.
  - The progress made up to October 2015 to address the issues identified by the proposal.
  - Whether the status of the proposal is to remain "open" or be "closed" if the evidence of progress suggests it has been sufficiently addressed.
  - Any further actions that will be taken to address the proposal.
- 3.5 The proposals made by WAO focus on:

- a. Information management including the authority's dealings around governance and management arrangements with the Shared Resource Service (SRS).
  - b. Corporate performance and efficiency including improving efficiency and value for money, delivering and monitoring savings, financial monitoring arrangements, ensuring robust and comprehensive performance measures and targets and improving self-assessment.
  - c. Ensuring robust arrangements for the Annual Governance Statement.
  - d. Clarifying the council's approach to area regeneration
- 3.6 WAO also make recommendations that may be relevant to the council in local government national reports. Although these have not been issued directly to the council, like the other proposals, the relevant recommendations from the national reports issued in 2014-15 that were included in the WAO Annual Improvement Report 2014-15, incorporating the Corporate Assessment Report 2015, have been included in this update to ensure that members are aware of issues which are relevant to Monmouthshire and understand the progress against them and any further action that is planned to address them. These reports relate to children and young people not in education, employment or training (NEET's), Environmental Health, Scrutiny, Welfare Reform Changes and Financial Resilience.
- 3.7 The proposals which were suggested as being "closed" in the last report to Audit Committee in 2014, due to the fact they have been addressed, have been removed from the report. The report also highlights further proposals which are suggested to be closed as the progress and evidence in the update is suggesting sufficient action has been taken to address them. Proposals which require further work are marked as "open". In a small number of instances, where actions in response to proposals are not under the sole discretion of the authority, proposals have been excluded from this set, for instance proposals around the Gwent Frailty project which is a joint venture across a number of authorities.
- 3.8 Some of the forward looking actions committed by the authority are likely to be reflected within other council strategic documents such as the council's Improvement Plan, the Whole Authority Strategic Risk Assessment and the Medium Term Financial Plan.
- 3.9 WAO as part of their ongoing annual audit work programme may follow up progress in any of the open or recently closed proposal areas.

#### **4. REASONS**

To ensure the authority responds to the WAO proposals to secure the improvements required.

**5. RESOURCE IMPLICATIONS**

Finances and any other resource implications of activity related to the proposals will need to be taken into account by the relevant responsibility holders.

**6. AUTHORS**

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**Subject area and evidence source**

Information Management, Information Management Themed Review April 2012, Technology Themed review reported Oct 2011

WAO Proposal for improvement	<b>Update the Information Strategy to ensure future information management plans accurately reflect the national and local context.</b>	Status of Proposal	Close
WAO Proposal for improvement	<b>Develop and implement an action plan for information to drive information issues forward within the organisation</b>		

**Current Position in October 2015**

The council has an Information Strategy, policy and staff guidance. The strategy was last updated in February 2015. Mandatory Data Protection and Information Governance training is provided to all employees, and is incorporated into the induction program. Ongoing refresher training is provided along with targeted updates to all employees concerning the risks of data breaches, incorporating any national incidents e.g. of cyber-attack.

The Digital and Technology team have a Service Improvement Plan in place that sets their action plan for information issues.

Information is considered an essential 'tool to do the job' and the SharePoint (Council Intranet) site is increasingly being used as an Electronic Document Record Management System (EDRMS) and intranet site to make it easy for people to access, share, display and keep our data safe, which is essential within an agile organisation. Team sites are being developed within Sharepoint in order to share and disseminate information as appropriate.

We are improving the data display functionality of the intranet and web sites in order to simplify information for users using data dashboards and graphical displays.

Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Keep the Information Strategy under review.	Sian Hayward, Digital and Technology manager	ongoing
Existing	Data presentation and the development of the Intranet as an Electronic Document Record Management System will continue to be rolled over the next 2 years	Sian Hayward	April 2017	

WAO Proposal for improvement	<b>Develop the governance role with the SRS.</b>			Status of Proposal	Open
Current position in October 2015	<p>Officers have now completed the SRS review, and it has been scrutinised by MCC's Economy and Development Select and Audit Committees. Member organisations now agree an annual commissioning document with the SRS, detailing the individual services to be bought in from the SRS.</p> <p>A strategy day has been held in order to develop the overall SRS strategy, with representation from all stakeholder organisations. The strategy has been scrutinised by the Economy and Development Select Committee, and is due to be approved by the SRS board in November 2015. Following on from approval will be the development of a business plan, aligned to the strategy and MCC's own strategic direction. A project to manage the cultural identity and implement the core service offer has been established within the SRS.</p> <p>In the recent Corporate Assessment WAO reported "The Council has an appropriate structure to oversee ICT delivery. Day-to-day operational matters are overseen by the ICT Business Change Team. The team consists of managers from SRS, business partners and Council directorates. The strategic purpose of the ICT Business Change Team is to help the Council, SRS and partners communicate, deliver, develop and join up their ICT systems in a timely manner whilst avoiding duplication." The review date for the SRS business continuity plan is January 2016, the constituent authorities are working with the SRS to further strengthen the business continuity planning arrangements within the SRS.</p>				
Page 65  Actions	New or Existing	Action	Action Holders	Timescales	
	Existing	Work with the SRS Board to implement the findings of the review specifically around finance and the core service, governance and cultural identity. This has informed the Phoenix project which has been established to manage the SRS strategic direction, with particular emphasis on cultural identity.	Peter Davies, Head of Commercial and People Development	Ongoing from April 2014	
	Existing	Influence and negotiate with partners on improvements to ensure the future viability and legitimacy of the SRS.	Peter Davies	Ongoing from April 2014	
	Existing	Develop a comprehensive Capital Replacement Programme (CRP), and associated funding mechanisms for the CRP. The CRP has been established and funding mechanisms and processes are being sought going forward.	Peter Davies	Ongoing from April 2014	
	Existing	Establish a Service Level Agreement (SLA) built on the core service, unit cost, ROI and VFM through the review of the SRS.	Peter Davies	Ongoing from April 2014	
	New	Propose and process changes in senior officer representation on SRS Business Solutions Board and SRS Public Board.	Kellie Beirne Chief Officer, Enterprise & Peter Davies	December 2015	
	New	Develop the SRS business plan	Peter Davies	Ongoing from November 2015	

	New	Work with the SRS to further strengthen business continuity arrangements within the SRS.	Peter Davies	January 2016	
WAO Proposal for improvement	<b>Develop a Monmouthshire Council Transformation strategy that builds upon the vision outlined in the “Digital Deal” framework through engagement and consultation with key service stakeholders and which is aligned with the national ICT Strategy.</b>			Status of Proposal	Close
Current position in October 2015	<p>iCounty has been approved by Cabinet as our new digital strategy and the Digital Roadmap has three main areas of focus:</p> <ol style="list-style-type: none"> <li>1) internal systems, processes, data and infrastructure</li> <li>2) community, economic, business and education dimensions</li> <li>3) Opportunities for commercialisation.</li> </ol> <p>It identifies MCC is the strategic decision maker on IT priorities and investment and that SRS is one delivery agent among other contractors and providers. This provides a clear direction for ICT in the county.</p> <p>The recent WAO report concluded “The Council has a strategy for the use of technology but this does not show the extent of planned improvement needed to demonstrate success. The Digital Strategy (iCounty) sets out the Council’s overall planned direction of travel for IT and digital technology, together with measurable outcomes. In order to demonstrate that the aims of the strategy have been achieved and to monitor progress, the Council needs to set specific targets for the delivery of these outcomes.” A revised programme plan is being produced that will outline the outcomes and targets against which performance and delivery will be measured.</p>				
Actions	New or Existing	Action	Action Holders	Timescales	
	New	Produce a revised programme plan outlining the outcomes and targets against which performance and delivery will be measured.	Sian Hayward, Digital and Technology manager	April 2016	
WAO Proposal for improvement	<b>The Council and the SRS needs to work together to plan programmes to refresh and renew the ICT infrastructure so that they can be incorporated into the MTFP.</b>			Status of Proposal	Open
Current position in October 2015	<p>The Capital Replacement Programme (CRP) has been approved by the Digital Programme Board and funding mechanisms have been identified for annual investment in order to ensure the ICT infrastructure is maintained.</p> <p>The review of SRS and the opportunity to establish a core service, unit cost, Return On Investment (ROI) and value for money statement should also contribute to realise efficiencies and effectiveness of ICT in the MTFP.</p>				



Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Continue to monitor the CRP to ensure the funding is sufficient to maintain the ICT infrastructure	Sian Hayward Digital and Technology manager	Ongoing
WAO Proposal for improvement	<b>The Council needs to routinely collect information relating to the usage and cost of transactions across the different access channels to establish a baseline and then regularly monitor the usage and cost and use this to inform decision making and prioritisation. The Council needs to proactively market the different access channels at every opportunity to encourage take-up of lower cost channels</b>			Status of Proposal Open
Current position in October 2015	<p>The Council is developing a customer services strategy and will develop an overarching business plan alongside a programme plan to include both service re-design and digitisation of customer contact transactional channels. The programme will prioritise projects which maximise the financial and efficiency savings to be made from channel shift using the web site and other digital customer interfaces, including social media.</p> <p>The council has a budget mandate for 2016/17 identifying savings to be made from channel shift.</p>			
Page 67 Actions	New or Existing	Action	Action Holders	Timescales
	New	Develop a Customer Services Strategy and identify a programme manager	Will McLean, Head of Policy and Engagement	By the end of 2015/16
	New	Create a business plan and programme plan	Will McLean	By the end of 2015/16
	New	Implement the customer services strategy	Will McLean	Ongoing through to 2017

**Corporate performance and financial management**

Subject area and evidence source

Performance Assessment December 2012, Annual Improvement Report 2012 and 2013, Local Authority Review of Governance' Improvement Study April 2013, Service Based Budget Review June 2013, Improvement Assessment Letter September 2013, Data Quality Review – November 2013, Financial Position Assessment – December 2014

WAO Proposal for improvement

**Improve efficiency and value for money**

- Identifying statutory and non-statutory requirements.
- Determining the 'acceptable standards of performance' for each service.
- Identifying and regularly collecting financial, performance and demand/need data
- Analysing collected data to inform and understand the relationship between 'cost: performance: impact'.
- Identify options for improving efficiency and maintaining performance to the agreed level.

Status of Proposal

Open

WAO Proposal for improvement

The Council should further develop the reporting of financial information in conjunction with performance information.

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Current position in October 2015

The Council's partnership administration continuance agreement reaffirmed the Council's priorities of; education, the protection of vulnerable people and promoting enterprise and introduced maintaining locally accessible services as a fourth priority. The agreement set performance expectation in line with these resource priorities.

Our Improvement Plan for 2015/17 reflects the performance expectations of the priorities in the partnership continuance agreement, resource pressures and mandated budget savings.

Service Improvement Plans reflect performance expectations (targets) of individual service areas in consideration of agreed priorities, demands, resources and finance.

Progress against existing mandated budget savings is assessed and reported to members at 4 time intervals throughout the year using a traffic light system to indicate whether savings are likely to be achieved or reasons explaining why the mandate is delayed and next steps. This not only focusses on financial performance but also accounts for operational, people and customer impacts of delivery.

Quarterly financial reporting was supplemented with finance, performance and cost benchmarking information at month 6 & 9 of 2014/15. The developments so far help give members useful performance context when discussing budgets. Further integration has proved difficult as to develop performance indicators to match all relevant budget codes and make these available at each reporting period as part of quarterly budget monitoring would be overly resource intensive without adding sufficient value to justify the time required.

In October 2015 Cabinet agreed a report setting out the budget proposals that have been developed for the MTFP particularly focused on the next year (2016/17) for budget consultation with Members, the public and community groups. The mandates that set out the proposals enables managers to reflect the option and their expected impact on financial, performance and demand/need. Work is continuing on the need to

address the longer term issue of a reducing resource base as part of the MTFP. This work has enabled proposals to be worked up for next year, whilst taking into account the medium term financial position. This approach has also been key to enabling a focus on aligning proposals with vision of sustainable and resilient communities and maintain core priorities, as identified within the Administration's Continuation Agreement 2015-17.

Heads of Service are challenged annually in a process that involves the Leader, Executive Members and Chief Executive. This involves a performance report that uses cost, finance, performance benchmarking and needs data from a range of sources and develops this into deeper knowledge and understanding to inform the challenge session.

Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Continue to monitor budget savings for financial performance and operational, people and customer impacts of delivery.	Joy Robson - Head of Finance and Will Mclean – Head of Policy and Engagement	Quarterly
	Existing	Continue to strengthen the collection, analysis and evaluation of finance, performance/demand data, in particular as part of the mandated budget saving process.	Joy Robson - Head of Finance and Will Mclean – Head of Policy and Engagement	Ongoing

WAO Proposal for improvement	<p><b>Ensure approved savings targets are delivered by:</b></p> <ul style="list-style-type: none"> <li>• <b>addressing weaknesses in current budget monitoring information;</b></li> <li>• <b>effectively scrutinising savings plans on an on-going basis; and</b></li> <li>• <b>Challenging and holding services to account</b></li> </ul>	Status of Proposal	Open
WAO Proposal for improvement	<p><b>Monthly or bi-monthly monitoring and reporting of the Council's savings plans should be introduced.</b></p>		

Current position in October 2015	<p>Following a review, budget monitoring arrangements for 2014/15 have been revised to improve the timeliness and access to budget monitoring information quarterly for Cabinet and Select Committees.</p> <p>In January 2015 council agreed the Medium Term Financial Plan (MTFP) to set the 2015/16 budget. This includes £4.8million of specific saving initiatives identified for 2015/16. An assessment on the preparedness of services to deliver the 2015/16 budget mandates was completed in March 2015 to mitigate risks and maximise the levels of income or reductions in costs required to deliver approved savings. Monthly financial Monitoring with service manager and Accountants is in place</p>
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Further progress against savings is assessed at 4 time intervals throughout the year using a traffic light system to indicate whether savings are likely to be achieved or reasons explaining why the mandate is delayed and next steps. This not only focusses on financial performance but also accounts for operational, people and customer impacts of delivery.

Revised budget monitoring arrangements introduced in 2014/15 have continued in 2015/16, reporting budget information, including progress against savings, quarterly for Cabinet and Select Committees. The percentage of mandated savings in 2015/16 forecast to be delivered at month 6 is 83% (£3,969,983 of the £4,779,983 identified savings). £498,000 savings have been deemed unachievable at the end of month 6, and a further £312,000 unlikely to be realised in 2015-16.

Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Continue to implement strengthened budget monitoring and challenge processes on financial performance.	Joy Robson, Head of Finance and Will McLean – Head of Policy and Engagement	March 2016 and Ongoing

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WAO Proposal for improvement	<b>The Council will need to consider whether it is being unnecessarily pessimistic or overly prudent in its budget monitoring projections or whether it is not correctly capturing complete information in order for it to make a robust estimate of the year-end position.</b>	Status of Proposal	Close
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Current position in October 2015  
Officers are continuing to ensure that all relevant information is taken into account in monitoring the budget and forecasting the year end position. The budget monitoring report itself provides a catalyst for identifying if further action on the budget is needed. For example the month 6 report has led to the need for a recovery plan and so the forecast at month 9 will incorporate the effect of this. Forecasts during the year will therefore change in response to the position reported.

Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Continue quarterly budget monitoring and ensure that all relevant information is taken into account	Senior Leadership Team	On going

WAO Proposal for improvement	<b>The 2014-15 savings plan should be revised to remove the double-counted savings and also reviewed to ensure that no similar errors exist.</b>			Status of Proposal	Close
WAO Proposal for improvement	<b>The budget-efficiency targets regarding the challenging income and expenditure inflation assumptions should be treated as a saving target and monitored accordingly.</b>				
Current position in October 2015	<p>In the 2014/15 budget, once the budget was set, budget managers were required to manage within the budgets established. This means that if errors are highlighted afterwards, alternative savings had to be achieved to correct the budget. In 2014/15 the overall budget position for the council was an overall surplus of £31,000.</p> <p>In 2015/16 Budget holders continue to be expected to manage their budgets within the amounts that are provided, including the assumptions made around inflation etc. This is monitored through the normal budget monitoring process.</p>				
Actions	New or Existing	Action	Action Holders	Timescales	
	Existing	Continue quarterly budget monitoring and ensure that all relevant information is taken into account	Senior Leadership Team	On going	
WAO Proposal for improvement	<b>The Council should introduce an Income Generation Strategy.</b>			Status of Proposal	Close
Current position in October 2015	<p>An Income Generation Strategy has been developed and was approved by Cabinet in October 2015. This provides strategy to explore in a more comprehensive way the opportunities to secure new and additional resources and to sustain current income flows, over and above the level of financial allocation or 'settlement' received by the Council. Services are going to use the ideas listed in the appendix to the strategy to explore if there is any scope to increase income for the future years in the MTFP. For 2016/17 an above inflation increase is being proposed on discretionary fees and charges, based on previous feedback from public engagement that this is preferable to cutting services.</p>				
Actions	New or Existing	Action	Action Holders	Timescales	
	New	Use the ideas listed in the appendix to the income generation strategy to explore if there is any scope to increase income for the future years in the MTFP.	Relevant Service managers	2017/18 budget setting process	
WAO Proposal for improvement	<b>Benchmarking should be undertaken with other local authorities in relation to fees and charges.</b>			Status of Proposal	Open
Current position in October 2015	Welsh Treasurers have set up a group to look at this issue for all authorities in Wales.				
Actions	New or Existing	Action	Action Holders	Timescales	

	Existing	Work with the Welsh Treasurers group looking at benchmarking.	Joy Robson, Head of Finance	On going
WAO Proposal for improvement	<b>Establish clear comprehensive measures of success for all improvement objectives that enable effective monitoring of progress and performance through regular, clear reporting of outcomes.</b>		Status of Proposal	Open
Current position in October 2015	<p>The structure of the Council's Stage 1 Improvement Plan for 2015/17 has been revised providing clearer links between the activity in the plan and measures of success to monitor progress, performance and impact against the objective. The Improvement Plan 2015/17 reflects the performance expectations of the priorities in the partnership continuance agreement, resource pressures and mandated budget savings.</p> <p>Each action area has clearly defined timescales and milestone/measure attached. The measures included provided two years' worth of trend performance and set a target quantifying the expected impact of performance. This enables the Improvement Objectives to be scored based on the Council's Self-evaluation framework, which was further developed in the Improvement Plan 2015/17 to set defined criteria for each scoring level (Level 1 – Unsatisfactory to Level 6 – Excellent)</p> <p>The WAO Annual Improvement report identified the "Council responded positively to our feedback on its 2014-17 Improvement Plan and sought to address our comments when compiling the 2015- 17 Improvement Plan. A review of the draft Improvement Plan for 2015-17 identifies improvements in target setting and improved links between actions and measures." As part of the more detailed feedback of the audit there remain areas for improvement.</p>			
Page 72 Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Continue identify and adopt quality and robust metrics that measure what matters.	Will McLean - Head of Policy and Engagement	ongoing
WAO Proposal for improvement	<b>Improve self-assessment arrangements, performance reporting and accessibility of performance information to citizens and stakeholders</b>		Status of Proposal	Closed
WAO Proposal for improvement	<b>Maximise accessibility to citizens and stakeholders on the Council's performance assessment</b>			
Current position in October 2015	The Council's main assessment of performance is in its Stage 2 Improvement Plan. In the assessment of performance for 2014-15, published in October 2015, Improvement Objectives were evaluated and scored based on the Council's Self-evaluation framework, which was further developed in the Improvement Plan 2015/17 to set defined criteria for each scoring level (Level 1 – Unsatisfactory to Level 6 – Excellent). This provides a clear overview of the Council's performance.			

The Improvement Plan 2015 and public summaries of the plan were published on the Council’s website, all social media channels and printed summaries available in Community Hubs across the county. The Improvement Plan has been prepared with a focus to ensure jargon is removed and clear explanations of the structure of the report and why information is included and presented in such a way.

Further use of tools such as infographics is being made to share bite-sized performance data with citizens using social media. This includes:

- Use of infographics and performance videos that are available on screens in some of the Council’s public buildings.
- The production of infographic posters on performance and finance of the Council to inform public engagement events and roadshows held on the 2015/16 budget process.

The National Survey for Wales has revealed there has been a decrease in the percentage of people who agree the local authority is good at letting them know how we are performing to 39% which places Monmouthshire as 9<sup>th</sup> amongst local authorities. Despite this decrease a significant amount of work has been undertaken to improve accessibility of performance information to Citizens.

Actions	New or Existing	Action	Action Holders	Timescales
	New	Increase the amount of data that can be easily accessed on the council’s website to ensure public accountability	Will Mclean Head of Policy and Engagement	June 2016

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WAO Proposal for Improvement	<b>Improve the quality of performance data validation within service areas:</b>	Status of Proposal	Open
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Data quality audits, undertaken by Internal Audit on nationally set and published Performance Indicators and locally set and published Indicators in 2014/15 have both been given a draft control rating of “Good”. Within this there remain recommendations from the internal audit reports that require further attention, while these are not materially significant to the output of the data published they need to be addressed to ensure ongoing robustness of process and supporting evidence to meet Internal and External audit requirements.

In January 2015 Wales Audit Office undertook a data quality review of a small sample of published PIs for 2013/14 these identified issues with some indicators, particularly with data systems underpinning a couple of newly developed Local Performance indicators.

The process for data quality continues to be strengthened. Two guidance notes on completing national and local performance indicators respectively, including internal audit briefs, are produced setting clear requirements for data compilers with continued support from the Policy and Performance team to strengthen arrangements. It is recognised that there is a particular risk to data quality when developing performance data measures for new policies or initiatives that may not have been subject to data quality processes previously. These areas will be particularly targeted for policy and performance team support

Current position in October 2015



	New or Existing	Action	Action Holders	Timescales
Actions	Existing	Target Policy and Performance team support on new or developing performance indicators.	Will McLean - Head of Policy and Engagement	Ongoing
	Existing	Allocate Internal Audit time appropriately to focus on the data systems underpinning data as well as the accuracy of the outputs of the data.	Will McLean - Head of Policy and Engagement	June 2016

WAO Proposal for improvement	<p><b>Improve controls over changes to service target intervention levels:</b></p> <p><b>Strengthen arrangements to set, manage and report changes to the targets set for all measures used to evaluate performance.</b></p>	Status of Proposal	Open
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<p>Page 74</p> <p>Current position in October 2015</p>	<p>Service targets are set in service plans and subject to challenge by Department Management Teams and the Policy and Performance team.</p> <p>A consistent system to maintain an audit trail and rationale for performance targets has been established through the development of a performance management system for the Council, the “data hub” hosted on the Council’s intranet site.</p> <p>An audit of targets was undertaken in November 2014, Changes to targets were scrutinised by Select Committee and approved by Cabinet in November and December 2014. This provided Members with a clear rationale for any changes, the opportunity to challenge and ensure suitable approval for changes.</p> <p>All approved targets were subsequently used to evaluate the Council’s performance in the Stage 2 Improvement Plan 2015. There were identified errors in subsequent reporting of some targets in the Cabinet dashboard at quarter 3 2014/15, where some revised targets had not been amended in the report, which was also identified in the WAO Annual improvement report .This highlights the need to continue to ensure changes to targets are checked and processes to update data are robust before reporting on the council’s performance management system.</p>
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	New or Existing	Action	Action Holders	Timescales
Actions	Existing	Continuing to quality assure the Council’s performance management database to ensure target changes are captured and an audit trail of changes maintained.	Will McLean - Head of Policy and Engagement	Ongoing
	Existing	Continue to strengthen target setting procedures based on available information and data (this should reduce the need for changes)	Will McLean	Ongoing



WAO Proposal for improvement	<b>Undertake greater challenge of the Annual Governance Statement content by SLT/Members to ensure that the statement is consistent with their knowledge of wider issues affecting the Council and to ensure the AGS is 'Council owned'</b>			Status of Proposal	Close
Current position in October 2015	<p>A working group has been set up, including members of Senior Leadership Team, to review the effectiveness of the Code of Corporate Governance and the Annual Governance Statement. The revised Code of Corporate Governance, which supports the Annual Governance Statement (AGS) in setting out how Monmouthshire demonstrates it has appropriate governance arrangements in place and how they are continually reviewed to strengthen them moving forward, was approved by Cabinet in July 2011.</p> <p>The draft Annual Governance Statement is now routinely taken to the established working group, SLT and Audit Committee. This ensures wider input of information in its development and strengthened awareness of sound corporate governance across the Council. This includes an action plan to strengthen areas of governance identified as needing improvement.</p> <p>The Annual Governance Statement for the year ending 31st March 2015 was agreed by Council and the Audit Committee as part of the annual accounts in September 2015.</p> <p>The Statement demonstrates that Monmouthshire has governance arrangements in place to meet the challenges of the governance principles and that a review has been undertaken to assess the effectiveness of those arrangements. We have demonstrated that in most areas we have effective governance arrangements in place which are continually improving, but also recognise that there is further work to do. The main areas of concern identified by the Council are identified and an action plan to address known gaps has been established</p>				
Page 75 Actions	New or Existing	Action	Action Holders	Timescales	
	Existing	To continue the working group on corporate governance in order to maintain a wider ownership of corporate governance and ensue implementation of actions as part of the annual update of the Statement	Andrew Wathan, Chief Internal Auditor	September 2016	

<b>Subject area and evidence source</b>	<b>Collaborative working</b>				
	Corporate Assessment August 2011, Annual Improvement Reports 2012 and 2013, Gwent Frailty Study 2012, WAO study on Collaboration January 2014, Gwent Frailty Study November 2012				
<b>WAO Proposal for improvement</b>	<b>Gwent Frailty</b> <i>Gwent Frailty is collaborative work is not under the single leadership and management of Monmouthshire, but is a collaborative arrangement hosted by Caerphilly CBC.</i>			<b>Status of Proposal</b>	n/a
<b>Current position in October 2015</b>	The most recent study of Gwent Frailty was conducted by consultants Cordis Bright rather than by Wales Audit Office. It is not covered in this overview				
<b>Actions</b>	<b>New or Existing</b>	<b>Action</b>	<b>Action Holders</b>	<b>Timescales</b>	

<b>Subject area and evidence source</b>	<b>Area regeneration</b>				
	Review of Whole Place Area Regeneration (May 2014)				
<b>WAO Proposal for improvement</b>	<b>Clarify the council approach to area regeneration by:</b> <ul style="list-style-type: none"> <li>• Establishing and agreeing the aims of Whole Place, what the programme consists of and plans for the future.</li> <li>• Establishing and agreeing the role and aims of area plans as part of the overall Whole Place approach.</li> <li>• Simplifying and agreeing terminology used to describe Whole Place.</li> <li>• Outlining roles and responsibility in some detail, to include lead officers, select committees, area managers, town teams and corporate performance and improvement teams.</li> <li>• Reviewing governance arrangements and clarifying and agreeing the relationship between Programme Boards and Area Committees if they are to continue.</li> <li>• Communicating the approach so that there is a common understanding amongst all Council staff, members and local people.</li> </ul>			<b>Status of Proposal</b>	Open
<b>Current position in October 2015</b>	A Whole Place Strategy has been implemented that provides a simple framework to guide how the council will invest in communities in order to enable them to build their own resourcefulness. The strategy sets out the key purpose; core principles and potential benefits to the Council and local communities of whole place.				

A community governance review has been completed by an independent consultant and Cabinet have agreed the format. A members seminar is being held in November 2015 for members to better understand and agree some of the recommendations before the Community Governance review goes to Full Council to adopt and implement. The Community Governance review will help clarify structures and align process and delivery frameworks to support community governance.

Community groups are being given presentations as and when they are engaged with about what “Whole Place means”. The Whole Place Team is visiting officer department meetings and all political groups to tell the “Whole Place” story and are asking how they think they can be involved.

Programme board membership is being reviewed along with the whole place plans to ensure the membership has the right skills to oversee the plans.

Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Complete the review of community governance	Debbie McCarty Whole Place Manager	Full Council – November 2016
	Existing	Complete the review of programme board memberships	Debbie McCarty Whole Place Manager	April 2016

**Build on the new momentum that exists by:**

- Reviewing and evaluating progress to date on whole place, identifying and addressing barriers to progress.
- Clarifying leadership and management arrangements for Whole Place, including detailed roles and responsibilities.
- Developing clear and agreed arrangements for the future of the programme in the two pilot areas and the remainder of the Borough if the approach is to be rolled out.

Status of Proposal	Open
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An evaluation of Whole Place has been completed in February 2015 appraising the progress to date, including progress against Wales Audit Office proposals. The evaluation identifies the areas where value has been added and also where lessons have been learnt. The next steps in rolling out the Whole Place approach will need to take account of the findings of the evaluation.

Existing plans in Bryn Y Cwm and Severnside are being reviewed in Autumn/Winter 2015.

A new Whole Place team was established in April 2015 which includes a manager and 3 whole place officers with clear roles and responsibilities.

A Whole Place Strategy has been implemented that provides a simple framework to guide how the council will invest in communities in order to enable them to build their own resourcefulness. The strategy sets out the key purpose; core principles and potential benefits to the Council and local communities of whole place that will guide the approach when it is decided to develop plans for Lower Wye and Central Monmouthshire.

	New or Existing	Action	Action Holders	Timescales
Actions	Existing	Complete the evaluation of whole place plans in Bryn Y Cwm and Severnside	Debbie McCarty Whole Place Manager	April 2016
	Existing	Roll out plans for Lower Wye guided by the strategy and informed by the evaluation	Debbie McCarty Whole Place Manager	Lower Wye -September 2016
	Existing	Continue to evaluate the delivery programme	Debbie McCarty Whole Place Manager	Sept 2015 ongoing

WAO Proposal for improvement	<p><b>Put mechanisms in place to assess the added value that the Council is getting from Whole Place by:</b></p> <ul style="list-style-type: none"> <li>• Developing measures of success for the Whole Place approach and two area plans that include broad outcomes, added value and community wellbeing.</li> <li>• Improving programme management arrangements, to include performance, project progress, finances and risk.</li> <li>• Developing an approach to systematic review and evaluation to inform the future of the programme.</li> </ul>	Status of Proposal	Open
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Page 78	<p>Measuring the impact of an approach such as Whole Place which is about delivering long-term sustainable change across communities is difficult and we continue to look at good practice to shape how we do this.</p> <p>An evaluation of Whole Place has been completed in February 2015 appraising the progress to date, including progress against Wales Audit Office proposals. The evaluation identifies the areas where value has been added and also where lessons have been learnt. The next steps in rolling out the Whole Place approach will need to take account of the findings of the evaluation</p> <p>Existing Whole place plans in Bryn Y Cwm and Severnside are being reviewed in Autumn/Winter 2015. Part of the review process involves a questionnaire to understand whether the plan is still relevant and ensure the right performance indicators are being used to measure outcomes, rather than implementing broad performance indicators that aren't relevant.</p> <p>The newly established Whole Place team have set up a business plan setting their role in implementing, managing and evaluating the Whole Place approach. This recognises the added value is to the community and by assisting the community in becoming resilient and sustainable it will reduce the demands on the council.</p> <p>As part of the roll out in Lower Wye we are establishing a baseline set of performance indicators that can be realistically measured and are relevant to the people and the place. Alongside this we will be review existing dataset internally and externally that can help measure soft outcomes (broad outcomes, added value and community wellbeing) of whole place.</p>	Current position in October 2015
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	Programme board membership is being reviewed along with the whole place plans to ensure the membership has the right skills to oversee the plans.			
Actions	New or Existing	Action	Action Holders	Timescales
	Existing	Complete the evaluation of whole place plans in Bryn Y Cwm and Severnside	Debbie McCarty Whole Place Manager	April 2016
	Existing	Complete the review of programme board memberships	Debbie McCarty Whole Place Manager	April 2016

WAO National Study	Good Scrutiny? Good Question! – May 2014
WAO Proposal for improvement	R1 Clarify the role of executive members and senior officers in contributing to scrutiny.
WAO Proposal for improvement	R2 Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.
WAO Proposal for improvement	R3 Further develop scrutiny forward work programming to: <ul style="list-style-type: none"> <li>• provide a clear rationale for topic selection;</li> <li>• be more outcome focused;</li> <li>• ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and</li> <li>• align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.</li> </ul>
WAO Proposal for improvement	R4 Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.
WAO Proposal for improvement	R5 Ensure that external review bodies take account of scrutiny work programmes and the outputs of scrutiny activity, where appropriate, in planning and delivering their work.
WAO Proposal for improvement	R6 Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.
WAO Proposal for improvement	R7 Undertake regular self-evaluation of scrutiny utilising the „outcomes and characteristics of effective local government overview and scrutiny“ developed by the Wales Scrutiny Officers“ Network.
WAO Proposal for improvement	R8 Implement scrutiny improvement action plans developed from the Wales Audit Office improvement
WAO Proposal for improvement	R9 Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.
Current position in October 2015	The Scrutiny function in Monmouthshire strives to continuously improve its' service offer: Feedback from Members, officers, partners and inspectors informs how effective the service is and whether it is progressing in the right direction. The service self-evaluates annually using the 'Characteristics of Good Scrutiny' as a benchmark (R7) and the Scrutiny Chairs Liaison Group is the forum where robust self-reflection takes place. The most recent self-evaluation preceded the Council's recent Corporate Assessment, through which, it was clear that the function had implemented the recommendations of the WAO Scrutiny Study (as above).

The Scrutiny Chairs undertake pre-meetings and sum-up actions, making recommendations to the Cabinet via Chairs Letters (R6). The scrutiny function has a 'Scrutiny and Executive Protocol' in place (R1) which ensures absolute clarity in terms of roles and responsibilities for Cabinet Members and Senior Officers in relation to scrutiny. The Scrutiny Manager delivers a comprehensive rolling Scrutiny Development Programme for Members, including Performance Management, Schools Financial Management, Financial Scrutiny, Scrutiny Challenge and Raising the Bar in Scrutiny (R2). The Council applies Participation Cymru's Principles for Public Engagement corporately and the Select Committees engage frequently with the public through their work, enabling public speaking at Select Committee meetings (R9). The Scrutiny Handbook is a guide for Members, officers and the public on the role and value of scrutiny and the website [www.monmouthshire.gov/scrutiny](http://www.monmouthshire.gov/scrutiny) displays the Scrutiny Forward Work Programme and invites public submissions.

Members lead and own the scrutiny process and the Cabinet and Council planner is emailed weekly to Members to ensure maximum opportunity for early engagement with scrutiny (R3). Select Committees liaise directly with regulators to programme inspection work into the Scrutiny Forward Work Programme (R4). Any relevant scrutiny reports are emailed to external bodies, who are requested to respond to Scrutiny's recommendations and attend Scrutiny Meetings if appropriate ~ effective working relationships with external bodies such as Aneurin Bevan Health Board have developed through direct engagement via the scrutiny process (R5).

The scrutiny function has a 'Scrutiny Service Improvement Plan' which is the 'Monmouthshire Scrutiny Action Plan' produced in response to the WAO Scrutiny Study's recommendations. The plan is built into the Council's improvement framework and is updated quarterly, being challenged by the Council's Policy and Performance team and the Head of Democratic Services. The plan is also scrutinised by the Council's Audit Committee annually to ensure they are satisfied that the Council has appropriate and effective scrutiny arrangements in place (R8).

New or Existing	Action	Action Holders	Timescales
Existing	Self-evaluation of Scrutiny applying the 'Characteristics of Good Scrutiny'.	Scrutiny Manager and the Scrutiny Chairs Liaison Group	April 2016
Existing	Table the Quarter 2 Service Improvement Plan (WAO Action Plan) to the Council's Audit Committee	Scrutiny Manager	December 2015/January 2016

WAO National Study	Young people not in education, employment or training - Findings from a review of councils in Wales – July 2014
WAO Proposal for improvement	R1 Together with partners, map and review expenditure on NEETs services to better understand the resources required to deliver the Framework
WAO Proposal for improvement	R2 Clarify their strategic approach to reducing the proportion of 19 to 24 year olds who are NEET as well as their approach for 16 to 18 year olds.
WAO Proposal for improvement	R3 Focus on young people with significant or multiple barriers to engaging with education, employment or training rather than those who are more likely to re-engage without significant additional support.
WAO Proposal for improvement	R4 Develop their objectives and targets for reducing the number of young people NEET so that they can be held to account and their work aligns with the Welsh Government's targets and objectives.
WAO Proposal for improvement	R5 Ensure that elected members and partners fully understand that councils have a clear responsibility for leading and co-ordinating youth services for 16 to 24 year olds.
WAO Proposal for improvement	R6 Improve the evaluation of the effectiveness and relative value for money of the services and interventions in their area that are intended to reduce the proportion of young people who are NEET.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 82</p> <p>Current position in October 2015</p>	<p>Monmouthshire County Council Youth Service took the lead in the implementation of the Youth Engagement and Progression Framework in January 2014, and with schools, careers wales and other providers completed the local plan for approval by Welsh Government for March 2014. A mapping exercise of current provision of NEETs was undertaken involving all post16 providers in Monmouthshire. This was also a requirement of Welsh Government under the framework. We have not mapped and reviewed expenditure, we have looked at what the gaps are in provision and how can these be met by existing or future services and provision.</p> <p>The NEETs strategy 2015-18 was developed and was approved by cabinet in October 2015. This sets the Council strategy and action plan to reduce NEETs for 11-25 year olds with the aspiration of creating a NEET free County. This predominately focusses on provision up to 18 year olds. The NEET strategy is reported quarterly to the local service board performance group. The strategy's action plan contributes towards Monmouthshire Single Integrated Plan Outcome 3 (Good Access and Mobility) and Outcome 8 (Access to practical and flexible learning). The strategy was developed by the 14 -19 Curriculum Group and Post 16 steering group, addressing local need and priorities. Working with post 16 providers in the statutory, voluntary and third sector, over the last 2 years has contributed towards the reduction in the number of young people 19 -24 years who are NEET. For example, employability programmes such as the Way into Work during 2012 -2014 through the DWP Flexible Support Fund. The NEET figure for 19 -24 years (JSA and ESA claimants) continues to be monitored through the Post 16 Steering group.</p> <p>The current provision for young people with significant or multiple barriers (young people in Tier 2 of the Welsh Government 5 Tier Mode) is limited in Monmouthshire. Local partnerships have identified the need for further provision and investment to enable a positive impact in engaging and sustaining tier 2 young people in education, employment and training.</p>



With the European Structural Fund programmes Inspire 2 Achieve ( working with young people 11-24 years most at risk of becoming NEET) and Inspire 2 Work ( working with young people 16 -24 years who are NEET) starting in January 2016. Inspire 2 Work will work with young people with multiple barriers offering a bespoke package of support and intervention to enable progression into education, employment or training. Offering qualifications, work taster sessions, confidence building, communication and ICT skills etc.

Whilst the good work achieved in Monmouthshire schools to date in identifying and preventing disengagement at all stages of their education is acknowledged, the NEET strategy builds on schools' contribution and works towards an early identification system, a suitable curriculum and learning pathway to support skills development and qualifications. The Local Authority Early Identification system identifies young people in Key Stage 3, 4 and 5 most at risk of becoming NEET, key indicators are attendance, attainment and behaviour. Meetings are held with schools to review interventions and support currently in place for those most at risk and identify further interventions if appropriate.

Schools, Education Welfare Service, Pupil Referral Service, Youth Service and Careers Wales with the LA will work together with a single goal: to support and improve outcomes for young people at risk of becoming NEET or who are NEET. This model has reduced Monmouthshire NEET figures from 3.8 % in 2012 (LA target 3.8%) to 1.7 % in 2014 (LA target 3.3%).

The draft NEET strategy was presented to the Children and Young People (CYP) Select Committee for scrutiny in September 2015. This was approved by CYP select and taken to cabinet and approved in October 2015. CYP select requested six monthly updates on progress on the strategy action plan. Both CYP select and cabinet demonstrated clear knowledge and commitment towards the role of the youth service in leading and co-ordinating services for young people 16 – 24 years at risk of becoming NEET or who are actually NEET.

The European Structural Fund (ESF) programmes Inspire 2 Achieve and Inspire 2 Work were also presented at CYP select in September 2015. Positive feedback from members was received, once the programmes have gone live members requested regular updates on progress and achievements.

The NEET strategy will be monitored by the Post 16 Steering Group and 14 -19 curriculum group on a quarterly basis ensuring resources are used effectively. This then will be reported to the Children and Young People Departmental Management Team and Local Service Board. The same reporting flow has been put in place for Inspire 2 Achieve and Inspire 2 Work programmes.

New or Existing	Action	Action Holders	Timescales
Existing	Monitor effectiveness of Local Authority Early Identification System for KS3, 4 and 5	Youth Service	July 2016
Existing	Review and evaluate NEET Strategy	Post 16 Steering group and 14 -19 Curriculum Group	October 2016
New	Implementation of ESF programmes – Inspire 2 Achieve and Inspire 2 Work	Youth Service, PRS Mounton House, Careers Wales, Enterprise and Melin Homes	March 2016

	New	Monitor the Inspire 2 Work programme to evaluate if it is meeting the needs of young people with multiple barriers and has a positive impact	Inspire 2 Work provision group	January 2017
	New	Monitor the Inspire 2 Achieve programme to evaluate if it is reducing the risk of young people becoming NEET.	Inspire 2 Achieve provision group	January 2017

WAO National Study	<b>Delivering with less – the impact on environmental health services and citizens – October 2014</b>			
WAO Proposal for improvement	R1 Revise the best practice standards to: <ul style="list-style-type: none"> <li>• align the work of environmental health with national strategic priorities;</li> <li>• identify the wider contribution of environmental health in delivering strategic priorities of the Welsh Government; and</li> <li>• identify the benefit and impact of environmental health services on protecting citizens.</li> </ul>			
WAO Proposal for improvement	R2 Provide scrutiny chairs and members with the necessary skills and support to effectively scrutinise and challenge service performance, savings plans and the impact of budget reductions.			
WAO Proposal for improvement	R3 Improve engagement with local residents over planned budget cuts and changes in services by: <ul style="list-style-type: none"> <li>• consulting with residents on planned changes in services and using the findings to shape decisions;</li> <li>• outlining which services are to be cut and how these cuts will impact on residents; and</li> <li>• setting out plans for increasing charges or changing standards of service.</li> </ul>			
WAO Proposal for improvement	R4 Improve efficiency and value for money by: <ul style="list-style-type: none"> <li>• identifying the statutory and non-statutory duties of council environmental health services.</li> <li>• agreeing environmental health priorities for the future and the role of councils in delivering these.</li> <li>• determining an „acceptable standard of performance“ for environmental health services (upper and lower) and publicise these to citizens.</li> <li>• improving efficiency and maintaining performance to the agreed level through: <ul style="list-style-type: none"> <li>– collaborating and/or integrating with others to reduce cost and/or improve quality;</li> <li>– outsourcing where services can be delivered more cost effectively to agreed standards;</li> <li>– introducing and/or increasing charges and focusing on income-generation activity;</li> <li>– using grants strategically to maximise impact and return; and</li> <li>– reducing activities to focus on core statutory and strategic priorities.</li> </ul> </li> </ul>			
WAO Proposal for improvement	R5 Improve strategic planning by: <ul style="list-style-type: none"> <li>• identifying, collecting and analysing financial, performance and demand/need data on environmental health services;</li> <li>• analysing collected data to inform and understand the relationship between “cost: benefit: impact” and use this intelligence to underpin decisions on the future of council environmental health services; and</li> <li>• agree how digital information can be used to plan and develop environmental health services in the future.</li> </ul>			

**WAO Proposal for improvement** R6 Clearly set out the expectations of the council environmental health services under new housing and health legislation and agree on how these duties will be delivered.

**Current position in October 2015**

The Best Practice Standards were developed through the Wales Heads of Environmental Health Group, with representation from all local authorities. Through the Council’s representation on the group we will contribute to any revision and realignment of the standards, this will incorporate work on Upper/lower standards. As described under the “Good Scrutiny? Good Question!” national report the Scrutiny Manager delivers a comprehensive rolling Scrutiny Development Programme for Members, including Performance Management, Schools Financial Management, Financial Scrutiny, Scrutiny Challenge and Raising the Bar in Scrutiny.

Budget proposals that have been developed are being consulted on with members, the public and community groups as part of the Monmouthshire Engages Budget 2016/17 sessions to outline the severity of funding reductions and seek views on the ideas.

Environmental Health are almost exclusively delivering statutory duties, while working to encourage others to deliver non-statutory service for example dog fouling support via Town & Community Councils. The service continues to look at discretionary fees and charges and options for income generation, for example charging for supplementary advisory food safety visits.

Environmental Health collect and utilise a range of performance data, this includes; established Business plans as part of the Council’s service improvement planning process, this reflects performance expectations of the service in consideration of agreed priorities, demands, resources and finance. Six monthly reporting to Strong Communities Select Committee on Public Protection services to review performance across this Division, noting budget reductions implemented since April 2014. This provides a range of comparative data over time. To supplement this future performance reports will include case studies to fully understand performance achieved. The latest report in November 2015 shows reactive work is generally maintaining performance but there has been some detriment to proactive work.

New legislation expectations have been discussed in All Wales forums, including feedback to the Welsh Government on funding requirements.

	New or Existing	Action	Action Holders	Timescales
<b>Actions</b>	Existing	Contribute to revision and realignment of Best Practice Standards	Gill Dicken, Principal Environmental Health Officer.	Ongoing
	Existing	Capture Case studies to further evidence the service performance	David Jones, Head of Community Protection	Ongoing

WAO National Study	Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales – January 2015
WAO Proposal for improvement	R1 Improve strategic planning and better co-ordinate activity to tackle the impact of welfare reform on social-housing tenants by ensuring comprehensive action plans are in place that cover the work of all relevant council departments, housing associations and the work of external stakeholders.
WAO Proposal for improvement	R2 Improve governance and accountability for welfare reform by: <ul style="list-style-type: none"> <li>• appointing member and officer leads to take responsibility for strategic leadership on welfare reform and be accountable for performance; and</li> <li>• ensuring members receive adequate training and regular briefings on welfare reform to be able to challenge and scrutinise performance and decisions.</li> </ul>
WAO Proposal for improvement	R3 Ensure effective management of performance on welfare reform by: <ul style="list-style-type: none"> <li>• setting appropriate measures to enable members, officers and the public to judge progress in delivering actions;</li> <li>• ensuring performance information covers the work of all relevant agencies and especially housing associations; and</li> <li>• establishing measures to judge the wider impact of welfare reform.</li> </ul>
WAO Proposal for improvement	R4 Strengthen how welfare-reform risks are managed by creating a single corporate-level approach that co-ordinates activity across the council and the work of others to provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place.
WAO Proposal for improvement	R5 Improve engagement with tenants affected by the removal of the spare-room subsidy through: <ul style="list-style-type: none"> <li>• the provision of regular advice and information on the options open to them to address the financial impact of the change in their circumstances;</li> <li>• the promotion of the “Your benefits are changing” helpline; and</li> <li>• the provision of support to tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes.</li> </ul>
WAO Proposal for improvement	R7 Improve management, access to and use of Discretionary Housing Payments by: <ul style="list-style-type: none"> <li>• establishing a clear policy or guide that is available in hard copy and online to the public that sets out the councils policy and arrangements for administering Discretionary Housing Payments;</li> <li>• clearly defining eligible and non-eligible housing costs covered by Discretionary Housing Payments in application forms, policy documentation and applicant guidance leaflets;</li> <li>• clearly setting out the maximum/minimum length of time that such payments will be provided;</li> <li>• setting and publishing the timescale for the council making a decision on Discretionary Housing Payments applications;</li> <li>• including information within public literature on the council’s policy for right to review or appeal of a decision and the timescales and process to be followed in deciding on these; and</li> <li>• clearly define the priority groups for Discretionary Housing Payments in public literature to ensure that those seeking assistance, and those agencies supporting them, can assess whether such payments are a viable option to address their housing and financial needs.</li> </ul>
Current position in October 2015	Welfare reform changes is an important part of our shared benefits service, work is also undertaken with partners as part of our partnership forums. A fuller position update will be provided when the WAO Annual Improvement Report 2014-15 is presented to Cabinet and subsequently Audit Committee in January 2016.

WAO Proposal for improvement	R1 Councils should ensure that their corporate plan: <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>
WAO Proposal for improvement	R2 Councils should ensure that their medium term financial plans 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.
WAO Proposal for improvement	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.
WAO Proposal for improvement	R4 Councils should regularly 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.
WAO Proposal for improvement	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.
WAO Proposal for improvement	R6 Councils should develop corporate wide policies on income generation.
WAO Proposal for improvement	R7 Councils should: <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>
WAO Proposal for improvement	R8 Councils must review their finance teams and ensure that they have sufficient capacity and the right skills to meet future demands.
WAO Proposal for improvement	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.
Current position in October 2015	The Council was subject to a specific “Financial Position Assessment” in 2014 which led to specific proposals that were issued to the Council, The current position of the Council in addressing these is included in the Finance and performance section of the proposals update. The proposals from the national report are provided here to provide members with an awareness of the wider proposals arising from the work across Wales.

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<p><b>SUBJECT: Overview of Performance Management Arrangements</b> <b>MEETING: Audit Committee</b> <b>DATE: 3<sup>rd</sup> December 2015</b> <b>DIVISIONS/WARDS AFFECTED: All</b></p>
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## **1 PURPOSE**

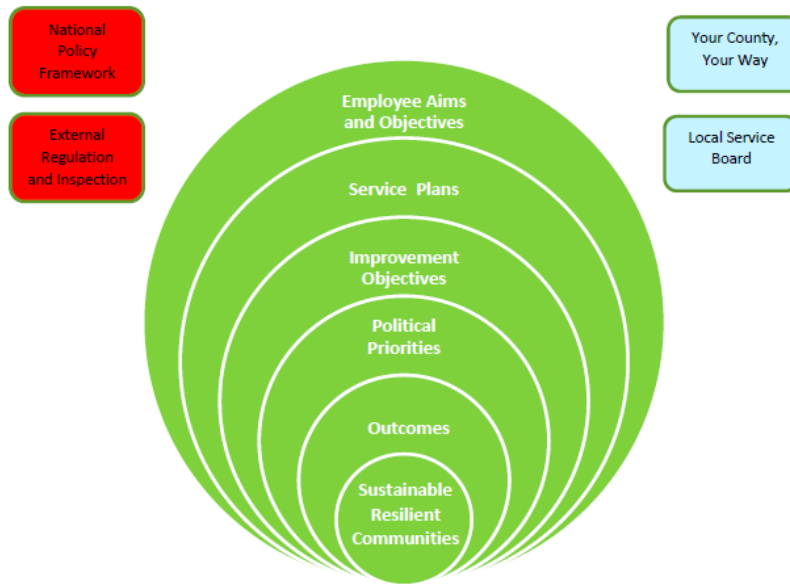
- 1.1 To present an update on the effectiveness of the authority's performance management arrangements.

## **2 RECOMMENDATIONS:**

- 2.1 That members use the update provided to seek assurance on the operation of the authority's performance management arrangements and identify any areas where they feel action needs to be taken or further information provided.

## **3. KEY ISSUES:**

- 3.1 Performance Management is about establishing a shared understanding of what needs to be achieved and making sure that it happens. Our performance framework:
- translates political ambition into a series of Improvement Objectives
  - places an expectation on teams to translate these into specific, measurable actions in their service plans
  - contains a broad range of data to monitor impact and measure the performance of services
  - requires employees to receive regular appraisal to demonstrate how they are contributing to the objectives
- 3.2 The main elements of the improvement framework are shown in the diagram on the following page. There are some other key processes that are part of and/or facilitate aspects of the framework. These are: The Outcome Agreement with the Welsh Government, Whole Authority Strategic Risk Assessment and self-evaluation arrangements.
- 3.3 The framework makes sure that everyone is pulling in the same direction to deliver the vision and priorities of the organisation. This report provides an appraisal of the arrangements to ensure that Audit Committee are able to take an overview of their effectiveness. Each arrangement has been scored based on the Council's Self-evaluation framework, Level 6 Excellent, Level 5 Very good, Level 4 Good, Level 3 Adequate, Level 2 Weak, and Level 1 Unsatisfactory. The committee last received an update on performance management arrangements in March 2015.
- 3.4 We also place reliance on regulatory assessments as a vital part of our improvement framework. In particular these are the Wales Audit Office (WAO) who examine the authority's corporate arrangements, Estyn in relation to education provision and the Care and Social Services Inspectorate for Wales in relation to social services.



3.5 Where applicable the most recent findings of regulatory work has been factored into the appraisal of arrangements. These include the *WAO Annual Improvement Report 2014-15, incorporating the Corporate Assessment Report 2015*, published in November 2015 and The Estyn monitoring letter following the monitoring visit in March 2015 on Recommendation 6. This recommendation was to ensure that performance management is effective and robust and allows elected members and senior officers to identify and address underperformance.

3.6 Audit Committee also receive specific updates on any areas where it is considered the authority needs to take action in response to the reports, these are consolidated within WAO proposals for improvement and statutory recommendations.

#### 4. RESOURCE IMPLICATIONS

4.1 There are no additional resource implications as a result of this report. However, there may be resource implications in undertaking further actions as directed by Senior Leadership Team or as recommended by the Audit Committee.

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Improvement Plan	
Purpose:	Each year we publish two separate but complimentary improvement plans. The first one (Stage 1) is published each May. It sets the Improvement Objectives that the council plans to deliver in the year ahead to improve services and work towards delivering the vision. The second one (Stage 2) is published every October. It describes what we have done to deliver the Improvement objectives we set in the previous year and evaluates our performance for the year. Progress against the Objectives is reported six monthly to Select Committees
Evaluation Score:	Level 4 – Good
Position October 2015	<p>The stage 1 Improvement Plan for 2015/17 was published in May 2015. The Objectives in the plan were revised to reflect the priorities, and associated performance expectations in Cabinets partnership continuance agreement, published in March 2015.</p> <p>Based on previous audit feedback received from Wales Audit Office alterations were made in the planning process to provide clearer links between the activity in the plan and measures of success to monitor progress, performance and impact against the objective.</p> <p>Each action area has a clearly defined timescales and milestone/measure attached. The measures included provide two years' worth of trend performance data and set a target quantifying the expected impact of performance. This enables the Improvement Objectives to be scored based on the Council's Self-evaluation framework, which was further developed in the Improvement Plan 2015/17 to set defined criteria for each scoring level (Level 1 – Unsatisfactory to Level 6 – Excellent).</p> <p>The plan also includes further sections that are not required legislatively at this stage of planning but provide valuable information to inform planned future objectives, this included:</p> <ul style="list-style-type: none"> <li>• Information on the Medium Term Financial Plan</li> <li>• Further information on council performance and value for money.</li> <li>• 2014/15 outturn data on National Performance Indicators.</li> </ul> <p>The Wales Audit Office has recognised the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements and issued the certificate of compliance for the 'Audit of Monmouthshire County Council's 2015-16 Improvement Plan'. The WAO Annual Improvement report identified the "Council responded positively to our feedback on its 2014-17 Improvement Plan and sought to address our comments when compiling the 2015- 17 Improvement Plan. A review of the draft</p>

Improvement Plan for 2015-17 identifies improvements in target setting and improved links between actions and measures.” As part of the more detailed feedback of the audit there remain areas for improvement.

The impact of these arrangements will be determined when the assessment of performance is completed at the end of 2015/16.

The Wales Audit Office have issued a certificate of compliance stating the council has discharged its improvement reporting duties through the evaluation of performance in the Stage 2 Plan published in October 2015. In this plan we responded to the areas for improvement identified by WAO as part of the issuing of the certificate for the previous evaluation of performance in October 2014. These included being clearer on the criteria for assessing the overall performance of each improvement objective, how this is informed by the weight of evidence reported and improving the links between some measures and actions.

Based on the performance achieved and impact made the Council’s Improvement Objectives were scored as:

- Objective 1: We will provide an improved education provision for Monmouthshire - Level 3 – Adequate – Strengths just outweigh weaknesses.
- Objective 2: We will work to help people live their own lives by building flexible and responsive services - Level 4 – Good – Important strengths with some areas for improvement
- Objective 3: We want to enable our county to thrive - Level 4 – Good – Important strengths with some areas for improvement
- Objective 4: We want to be an efficient, effective and sustainable organisation - Level 3 – Adequate – Strengths just outweigh weaknesses

This evaluation identifies areas where we are performing well and areas that still require improvement that will inform our future plans for improvement.

Key future actions

Continue to improve outcomes measures to ensure we identify and adopt quality and robust metrics that measure what matters.

**Service Plans**

<b>Purpose:</b>	Each service sets a Service Improvement Plan (also called business plan) annually. Service planning and regularly evaluating our performance is fundamental to how we operate and allows services to plan for the future, assess what went well, learn from what didn't and assess the impact the service has made on people and places of Monmouthshire. Service Plans ensure clear alignment between the council's priorities and objectives, actions the service will be undertaking, performance measures of the service across four key quadrants of Staff; Finance; Processes and outcomes and the management of strategic and operational risks facing the service.
<b>Evaluation Score:</b>	Level 4 - Good
<b>Position October 2015</b>	<p>A strengthened service planning process was introduced in 2013. This established principles that services must comply with in their plans along with a common template and a balanced scorecard to measure performance across four key quadrants of Staff; Finance; Processes and outcomes.</p> <p>The corporate Policy and Performance team now appraise all SIPs to ensure:</p> <ul style="list-style-type: none"> <li>○ That service activities captured in the plans are aligned to strategic plans as relevant</li> <li>○ The plans align to the outcomes that the service is looking to achieve</li> <li>○ The quality of plans are robust based on key appraisal factors of; being evaluative, aligned, measuring impact and managing risks.</li> </ul> <p>There has been a significant improvement in the clarity and focus of plans across directorates. Although there remains variability in the overall quality of plans, while the timeliness of completing plans at the start of the year needs to be improved. As part of the Corporate appraisal plans are scored using the council's self-evaluation framework scoring levels (Level 1 – Unsatisfactory to Level 6 – Excellent). The latest evaluation of 2015/16 plans shows 2% are scored at Level 2 – Weak, 37% are scored at Level 3 – Adequate, 52% are scored at Level 4 – Good and 9% are scored at Level 5 - Very Good. No plans are unsatisfactory or excellent.</p> <p>The plans are now available on The Hub and are accessible to all officers and members providing increased transparency of progress and clear alignment of teams to the vision and strategic direction of the organisation. Performance against the service plans is assessed quarterly by services. There has been an improvement in the timeliness of quarterly reporting against actions and measures in the plans, although, again, the timeliness remains variable in some areas and needs further enforcement through Directorate Management Teams.</p> <p>The Estyn Monitoring letter following the Monitoring visit in March 2015 identified:</p>

“The CYP’s [Children & Young People directorates] service improvement plans align well with the key corporate themes within the single integrated plan. The service improvement plans identify broadly the priorities for improvement appropriately. However, it is not always obvious in the service improvement plan what actions the local authority is taking to address the areas for improvement.

“The CYP’s directorate has a more effective system for reporting on the progress against the actions in the service improvement plans and on the achievement of performance indicators to senior officers and elected members. Staff at all levels are beginning to be held to account more rigorously for their areas of responsibility.”

**Key future actions**

Continue to appraise Service Improvement Plans to further strengthen the quality of service planning.

**Performance data and information**

<b>Purpose:</b>	<p>Performance data and information is essential to our performance framework. This comprises of nationally set performance indicators by Welsh Government we must report and locally set indicators that services have developed to measure the impact of their service.</p> <p>All staff and members need to regularly access and use performance and analysis of performance effectively and efficiently to evaluate the performance of a service.</p>
<b>Evaluation Score:</b>	Level 4 – Good
<b>Position October 2015</b>	<p>The council has seen service performance improve, or remain at the maximum level, in 84% of comparable National Performance indicators and declined for 14% of them. When comparing against other local authorities Monmouthshire was ranked in the top quartile for 44% of the published indicators and the bottom quartile for 16% of indicators. 63% of indicators met the targets that had been set, while 23% missed their targets.</p> <p>Data quality audits, undertaken by Internal Audit on nationally set and published performance indicators and locally set and published indicators in 2014/15 have both been given a draft control rating of “Good”. Within this there remain recommendations from the internal audit reports that require further attention, while these are not materially significant to the output of the data published they need to be addressed to ensure processes are improved to meet Internal and External audit requirements.</p> <p>In January 2015 Wales Audit Office undertook a data quality review of a small sample of published PIs for 2013/14 these identified issues with some indicators, particularly with data systems underpinning a couple of newly developed local performance indicators.</p> <p>The data quality process continues to be strengthened. Internal guidance notes on completing national and local performance indicators respectively, including internal audit briefs are produced setting clear requirements for data compilers. With continued support from the Policy and Performance team to strengthen arrangements. It is recognised that there is particular risk to data quality, including target setting, when developing performance data measures for new policies or initiatives that may not have been subject to data quality processes previously. These areas will be particularly targeted for policy and performance team support.</p> <p>In 2014/15 we developed an authority-wide performance measurement system for the Council, the “data hub” hosted on the council’s intranet site. This is available within 3 clicks of the homepage that opens up on all laptops and enables members and officers to track and monitor key data at any point in time from key strategic plans to directorate level “dashboards”. This also allows performance to be</p>

compared against other council areas, where applicable. A Cabinet level dashboard contains a number of key performance measures and is discussed quarterly by SLT and Cabinet. We need to continue to ensure the information on the hub is easily accessible to as wide a range of audience as possible to ensure it is fully utilised by those who need it.

The Wales Audit Office Annual Improvement Report (AIR) recognised:

“The Council has developed a sound in-house performance management system to replace its previous system and this will increase availability of information to members and staff...The performance hub is an initiative that has helped to support the performance management arrangements of the Council. However, the design and build of the databases that deliver the hub, whilst functional, are not fully developed to ensure efficiency, accuracy and resilience of the data.”

Service targets are set in service plans and subject to challenge by Department Management Team and the Policy and Performance teams. A consistent system to maintain an audit trail and rationale for performance targets has been established through the data hub.

There had been an issue of errors in a small number of targets where these were published in multiple documents. An audit of targets was undertaken and scrutinised by Select Committees before being approved by Cabinet in December 2014. This provided Members with a clear rationale for any changes, the opportunity to challenge and ensure suitable approval for changes.

All approved targets were subsequently used to evaluate the Council’s performance in the Stage 2 Improvement Plan 2015. There were identified errors in subsequent reporting of some targets in the Cabinet dashboard at quarter 3 2014/15, where some revised targets had not been amended in the report, which was also identified in the WAO Annual improvement report. This highlights the need to continue to ensure changes to targets are checked and processes to update data are robust before reporting on the council’s performance measurement system.

#### Key future actions

Continue to quality assure the council’s performance measurement database to ensure target changes are captured and an audit trail of changes maintained.

Continue to strengthen target setting procedures based on available information and data (this should reduce the need for changes)

Continue to identify and adopt quality and robust metrics that measure what matters.

Allocate Internal Audit time appropriately to focus on the data systems underpinning data as well as the accuracy of the outputs of the data.

**Staff Appraisal (Check-In, Check-Out)**

<b>Purpose:</b>	Appraisal enables all staff to know what is expected of them, to agree how values and behaviours are linked to how we perform at work and to ensure that all of our work links to the wider purpose of the organisation. Managers at every level are expected to set the right standards, coach, motivate, recognise and feedback on poor performance and reward those people who deliver good performance.
<b>Evaluation Score:</b>	Level 3 - Adequate
<b>Position October 2015</b>	<p>The revised employee performance appraisal system (Check in Check out) introduced in April 2014 ensures employees have clear and effective understanding of their contribution to the objectives of their teams Service Improvement Plan.</p> <p>Data shows that 84% of employees who are expected to have an individual appraisal have had one. However there have been some problems with the approach used to gather the information which means the actual figure may well be higher. The staff questionnaire and a staff focus group have been used to gather feedback on the process. Based on feedback received, which included the Check in Check Out is not always well understood by staff and managers, the check in check out process is being reviewed and further developed. The WAO Annual Improvement Report made a proposal for improvement to deliver a clear process of assessing and improving the performance of all staff and that department, team and individual objective setting is in line with the Council’s corporate objectives.</p>
<b>Key future actions</b>	Review the guidance to support check-in, check-out to ensure there is absolute clarity of expectations on staff and managers

Risk Assessment	
Purpose:	<p>The risk assessment captures the High and Medium level risks that face the council in line with the council’s risk management policy. This ensures that:</p> <ul style="list-style-type: none"> <li>• Strategic risks are identified and monitored by the authority.</li> <li>• Risk controls are appropriate and proportionate</li> <li>• Senior managers and elected members systematically review the strategic risks facing the authority.</li> </ul> <p>The Risk log is a living document and will evolve over the course of the year as new information comes to light. While it is live on the hub for Select Committees to use throughout the year, it is also specifically reported to Select Committees annually in December/January and signed off by Cabinet once a year as an accurate record of the risks facing the organisation.</p>
Evaluation Score:	Level 3 – Adequate
Position October 2015	<p>In March 2015, following scrutiny by Select Committee, Cabinet approved updates to strengthen the previously agreed strategic risk Management Policy, these included; The requirement to ensure a live risk assessment is updated throughout the year when new information becomes available and is accessible to officers and members on the intranet and further guidance clarifying the language used to describe risks and specific explanations of risk likelihood and impact ratings.</p> <p>The revised risk assessment in 2015 identified risks that have been dealt with or which no longer constitute the most pressing risks facing the authority. This ensured that the risk assessment is more concise than in previous years containing any new risks and those that remain live from the previous risk assessment. The risk assessment was presented twice to select committees the first time to provide members with an overview of existing risks, to consider these alongside the budget reports and use the risks to inform the future work programme of the committee. The second time to scrutinise the risk log before it is signed off by Cabinet. The risk assessment was also included as part of the Budget setting papers for Council.</p> <p>This helped strengthen the link between the risks identified through the budget setting process and the strategic risk facing the authority. Select Committee members did raise concerns about the level of information provided in the risks assessment to fully understand the nature of some risks and the lack of clarity on how the risk levels were allocated, including pre and post-mitigation scores. Select Committee also identified further risk areas for consideration in inclusion for the strategic risk assessment.</p>
Self-Evaluation	



	<p>While these concerns were largely addressed in finalising the 2015 risk assessment for approval. There remains a need to ensure an appropriate balance is struck between providing clear and concise risks and providing sufficient information and evidence to fully understand the risk. The WAO Annual Improvement Report recognises the improvements that have been made to risk management arrangements but suggests the need for further improvements to be made including providing further clarity in articulating risks and the risk levels allocated.</p> <p>The latest version of the risks assessment is on the hub and will be reported to Select Committee for scrutiny in December 2015 and January 2016 and will once again be reported to council as part of the budget-setting process. The frequency on which this is updated and wider awareness of it needs to improve for the risk assessment to increase its relevance and impact throughout the year, in line with the revised policy, rather than just at the point in the year it is reported.</p> <p>Lower level risks are not registered in the risk assessment unless they are projected to escalate within the three years covered. These are managed and monitored through teams' service improvement plans. While this process is evaluated elsewhere, the risk assessment in services plans is often an area particularly identified for improvement to strengthen the capture and management of risks facing services.</p>
Key Future Actions	Ensure that findings in the Annual Improvement Report relating to risk management are addressed when the register is signed-off by Cabinet in February 2016.
Purpose:	Self-evaluation allows us to appraise what we have done and; assess what went well, learn from what didn't and plan future activity informed by what we did and the impact made.
Evaluation Score:	Level 4 – Good
Position October 2015	<p>There is now a more uniform understanding across the council of what constitutes good performance for the council, the way in which these judgements are formed and challenged by Members and senior officers. Self-evaluation has been strengthened in existing process and three new elements - have been introduced to further strengthen arrangements as part of the council's performance management framework:</p> <p>Head of Service Challenge - This process involves the Leader, Chief Executive and Executive Members with the aim of evaluating and challenging performance to drive improvements in services ; identifying actions and ensure ownership and accountability for performance and service improvement</p>

## Outcome Agreement

Purpose:	<p>As well as our own priorities we also recognise the priorities set by Welsh Government. Monmouthshire County Council has signed a three year Outcome Agreement with Welsh Government (2013/16). This sets stretching targets and milestones working towards the issues of national importance, as described in Wales’ Programme for Government and matches them against objectives set locally. Successful achievement of targeted performance, as determined by approval of the Minister for public services provides grant funding over the period of the agreement at just over £800,000 from the Welsh Government. Progress against the objectives is reported six monthly to Select Committees. The themes we are working towards are:</p> <ul style="list-style-type: none"> <li>• Improving school attainment</li> <li>• Ensuring people receive the help they need to live fulfilled lives</li> <li>• Poverty and material deprivation</li> <li>• Living within environmental limits and acting on climate change</li> <li>• Improving early years’ experiences.</li> </ul>
Evaluation Score:	Level 5 – Very Good
Position October 2015	<p>The Outcome Agreement is currently in its final year (2015/16). Each year, 2013/14 and 2014/15, the reporting process has been carried out on time with Welsh Government and negotiations taken place on any revisions to actions, performance indicators and targets to ensure the agreement remains relevant to the activity the council is planning to achieve.</p> <p>The Outcome Agreement is evaluated annually using the Welsh Government scoring mechanism, 2 points for “successful” performance, 1 point for “partially-successful” performance and 0 points for “Unsuccessful” performance. To be fully successful the Outcome Agreement must achieve at least 8 points from a possible 10 across the 5 themes in the agreement. For the Outcome Agreement in 2014/15 the performance against all five themes indicates the Agreement is “Fully Successful” based on scoring 9 points out of a possible 10 and the Council would receive 100% of funding, however the scoring is waiting the approval of the Minister for Public Services. The scores for each theme were:</p> <p>Theme 1: Improving school attainment, Partially Successful – 1 point          Theme 2: Ensuring people receive the help they need to live fulfilled lives, Fully Successful – 2 points          Theme 3: Poverty and material deprivation, Fully Successful – 2 points          Theme 4: Living within Environmental limits and acting on climate change, Fully Successful – 2 points          Theme 5: Improving early years’ experiences, Fully Successful – 2 points</p>

	<p>In the summer of 2015 the Welsh Government announced the final year of funding for performance in 2015/16 would no longer be attached to performance in the Outcome Agreement and would be rolled directly into the Revenue Support Grant for 2016/17 onwards, thus effectively ending the Outcome Agreement in March 2015. However given the importance placed on the agreement as part of the Council's performance framework to deliver the outcome set we will continue to monitor performance against the agreement for its final year in 2015/16.</p> <p>An end of year appraisal will take place at the end of 2015/16 to evaluate progress against the themes over the three years of the agreement (2013/16).</p>
Key Future Actions	<p>Complete an appraisal evaluating impact made over the three years (2013/16) of the Outcome Agreement.</p>
	<p>Performance Clinics - Held on an exception basis as an intervention for high risk or long standing performance issues that despite action being taken have not been resolved.</p> <p>Corporate self-evaluation - This process was introduced to examine the whole authority. It allows us to bring together and learn from the views of residents, staff, partners and others who have a view of the effectiveness of our work. In September 2014 the council undertook its first corporate self-evaluation. The process involved a team of 5 officers, 4 internal and one independent senior officer from another authority over the course of a week. At the end of the process the team's findings, in terms of strengths and areas for improvement was produced and an action plan was produced in response to the findings and its implementation has been monitored by the senior leadership team and embedded in the council existing performance arrangements.</p> <p>The Wales Audit Office Annual Improvement report states: the Council "has introduced Heads of Service Challenge sessions to increase accountability and has developed Service Improvement Plans and Heads of Service Plans setting out performance data, targets and risks. Performance clinics have been established to support those managers whose services are underperforming. This demonstrates improvements in the accessibility of information and an increased focus on holding members and managers to account.</p> <p>Wales Audit Office also observed one of the Head of Service Challenge sessions "Our observation of one of these sessions found the process was well structured and welcomed by officers and members as an opportunity to share information but it is too early to say what impact they are having on service outcomes."</p> <p>A review of the new arrangements has been completed to assess the effectiveness of the new arrangements.</p>

	<p>A broad summary of the findings are:</p> <ul style="list-style-type: none"> <li>• The processes strengthens an understanding, scrutiny and accountability of service performance</li> <li>• The process provides clear expectations and findings on areas for improvement</li> <li>• Communication on the purpose of the processes needs to be clear to increase understanding</li> <li>• The need to hold follow up sessions to challenge progress and impact made.</li> </ul> <p>The evaluation will inform any changes to self-evaluation. These will be presented to single member decision.</p>
Key	Agree any changes through single member decision.
Future Actions	Hold follow-up challenge sessions for each Head of Service covered in the first round.

**SUBJECT: WELLBEING OF FUTURE GENERATIONS ACT – WALES AUDIT COMMENTARY ON OUR PREPAREDNESS**

**MEETING: AUDIT COMMITTEE**

**DATE: 3<sup>RD</sup> DECEMBER 2015**

**DIVISION/WARDS AFFECTED: ALL**

## 1. PURPOSE:

- 1.1 To share the results of the Wales Audit Office report “Monmouthshire County Council: The Wellbeing of Future Generations Act: a commentary on preparedness” which was carried out alongside the Corporate Assessment.
- 1.2 To outline Monmouthshire County Council’s reflection and response to the proposed Next Steps.

## 2. RECOMMENDATIONS:

- 2.1 That Members note the content of the WAO report.
- 2.2 That Members note and agree to the steps outlined in our response to the Next Steps.

## 3. KEY ISSUES:

- 3.1 The Wellbeing of Future Generations Act achieved Royal Assent in April 2015 and comes into force in **April 2016**.
- 3.2 The Act requires public bodies to **improve social, economic, environmental and cultural wellbeing**, by taking action in accordance with the **sustainable development principle** aimed at achieving the Wellbeing Goals.
- 3.3 Monmouthshire County Council volunteered to be part of the Welsh Local Government Association’s “early adopter” scheme, which offered support to help local authorities take steps in 2015/16 to get ready for the introduction of the Act. A diagnostic tool completed by senior officers helped to identify key areas where MCC needs to focus its work.
- 3.4 As part of this work, Wales Audit Office, at our request, carried out a “light touch” assessment of our readiness for the Act alongside the Corporate Assessment in March 2015. They interviewed key staff and elected members, as well as a panel of external sustainability stakeholders, and looked at key documents.
- 3.5 The following paragraph is their summary from the report:

*“The Council has a clearly stated ambition to implement the Well-being of Future Generations (Wales) Act. The Council also has some building blocks in place, which should provide a foundation on which to build a more embedded and systematic approach to sustainable development. However, at this early stage,*

*there is a lack of consistency in message, understanding and approach, and key business processes are not being utilised to embed sustainable development. This is contributing to a disconnection between the Council's ambition and practice."*

- 3.6 In general, the analysis in the report is a fair reflection of sustainable development and awareness of the Act in the Council, particularly given the early stage that the assessment was carried out (i.e. over a year before the Act becomes law and prior to the publication of any guidance on the Act). The report outlines some useful next steps, shown in the following table, together with our response and actions generated as a result.

#### **4. REASONS**

- 4.1 The legislation comes into force in April 2016. We will be subject to review by the Future Generations Commissioner for Wales and for examination by the Auditor General for Wales.
- 4.2 In order to meet the requirements of the legislation, both in terms of compliance, but also embracing the "spirit" of the legislation, we need to learn from and act on the WAO report.

#### **5. RESOURCE IMPLICATIONS**

- 5.1 The work outlined in this report will be carried out within existing staff resources. At this time there are no additional financial requirements.

#### **6. FUTURE GENERATIONS IMPLICATIONS**

- 6.1 There is no need to complete a Future Generations Evaluation, because the report is for information and sets out steps needed to meet a legislative requirement. However, one would hope that implementing the Future Generations Act would contribute towards the wellbeing of Future Generations!

#### **7. CONSULTATION**

#### **8. BACKGROUND PAPERS:**

The Wellbeing of Future Generations Act: a commentary on preparedness, published by Wales Audit Office (attached)

9. **AUTHOR:** Hazel Clatworthy, Sustainability Policy Officer

#### **10. CONTACT DETAILS:**

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**RESPONSE TO NEXT STEPS SUGGESTED IN**

**“THE WELLBEING OF FUTURE GENERATIONS ACT: A COMMENTARY ON PREPAREDNESS”**

<b>NEXT STEP</b>	<b>RESPONSE</b>	<b>ACTION</b>	<b>WHO</b>	<b>WHEN</b>
<p><b>Establish a clear and consistent understanding.</b> Provide a clear explanation of sustainable development (SD) in the context of the Act</p>	<p>MCC acknowledges that this is of key importance and agrees with the suggestions. This had not happened to a great extent prior to the WAO assessment as we were waiting for greater clarity on the detail of the Act. Since the Act has had Royal Assent and the guidance has been published (Sept 15) we have been doing a programme of staff and member training and awareness raising on the Act and what it means for MCC.</p>	<ul style="list-style-type: none"> <li>▪ Bimonthly induction training on sustainability has been updated to incorporate the WFG Act.</li> <li>▪ Staff training for managers and report writers on WFG Act and FG Evaluation being rolled out from September onwards (60 officers to date).</li> <li>▪ Information on the Act being drafted to go on the Hub.</li> <li>▪ All staff e-mail to go out announcing introduction of FG Evaluation.</li> <li>▪ Briefings on the Act for the LSB in preparation for transition to PSB.</li> <li>▪ Developing a training module on the WFG Act to be delivered through TalentLab</li> </ul>	<p>Hazel Clatworthy</p> <p>Hazel Clatworthy</p> <p>Hazel Clatworthy</p> <p>Hazel Clatworthy</p> <p>Will McLean/ Hazel Clatworthy</p> <p>Hazel Clatworthy</p>	<p>Bimonthly</p> <p>September 15 onwards</p> <p>November/December 15</p> <p>November 15</p> <p>April/October 15</p> <p>Spring 16</p>
<p><b>Develop and enhance leadership for sustainable development.</b> Work with the WLGA Early Adopter’s Programme to develop and broaden the capacity and</p>	<p>MCC agrees that this is an important area of work and is developing a programme of officer and member training and development in response.</p>	<ul style="list-style-type: none"> <li>▪ Staff training for managers and report writers on WFG Act (see above)</li> <li>▪ Briefing report for Cabinet on WFG Act progress, the results of the WAO report and timeline for actions.</li> </ul>	<p>Hazel Clatworthy</p> <p>Hazel Clatworthy</p>	<p>September 15 onwards</p> <p>December 15</p>

NEXT STEP	RESPONSE	ACTION	WHO	WHEN
understanding of SD amongst the Council leadership.		<ul style="list-style-type: none"> <li>▪ Member Seminars being delivered on the WFG Act</li> <li>▪ Presentation to Senior Leadership Team on the FG Evaluation and its use.</li> <li>▪ As part of our “early adopters” support, sessions with support from Dr Alan Netherwood (funded by WLGA) and officers from key teams specified as being key to implementing the Act by the WAO report, the guidance on the Act or the diagnostic tool. These were: Procurement, Policy and Performance, Strategic Partnerships, Scrutiny and Finance. This has identified key areas of work to develop further.</li> <li>▪ Establish new Scrutiny process for the PSB and train the relevant elected members.</li> <li>▪ Develop opportunities to integrate the Act into other training provision.</li> </ul>	<p>Policy and Performance team Hazel Clatworthy</p> <p>Procurement Policy and Performance Strategic Partnerships Scrutiny Finance</p> <p>Hazel Ilett</p> <p>John McConnachie/ Hazel Clatworthy</p>	<p>May and December 15 August 15</p> <p>September 15</p> <p>October 15 onwards</p> <p>January 16</p> <p>Spring 16</p>
<b>Better equip the Council to respond to the Act by targeting key business processes.</b> This commentary confirms business processes	MCC acknowledges that this is a key area of work for MCC to address in order to embed the sustainable development principles	<ul style="list-style-type: none"> <li>▪ A new Future Generations Evaluation has been developed to replace previous EQIA and SD checklists. It is specific to the requirements of the Act, and incorporates all equalities,</li> </ul>	Hazel Clatworthy	November 15 onwards



NEXT STEP	RESPONSE	ACTION	WHO	WHEN
<p>as one of a number of areas where the Council's response needs to be more coherent and consistent.</p>	<p>across everything that we do. We are working on a number of different ways to make this happen, focussing in particular on those areas highlighted through the report and the Early Adopters Diagnostic Tool.</p>	<p>sustainability and safeguarding and corporate parenting requirements. It was piloted on budget mandates and has been refined following feedback and will accompany all reports for decision from November 15. Training has emphasised the importance of using it early on in decision making, not just at end.</p> <ul style="list-style-type: none"> <li>▪ The FG Act is being integrated into the new developing Procurement Strategy and opportunities to build it into the Buyers Guide are being explored.</li> <li>▪ Training on the FG Act for the MCC Procurement Network.</li> <li>▪ Developing a training module on the WFG Act to be delivered through TalentLab.</li> <li>▪ We will look for opportunities to better integrate the Act and the principles of the Act as a way of working into the People Strategy.</li> </ul>	<p>Scott James/ Hazel Clatworthy</p> <p>Hazel Clatworthy</p> <p>Hazel Clatworthy</p> <p>Lisa Knight-Davies/ Hazel Clatworthy</p>	<p>Spring 16</p> <p>November 15</p> <p>Spring 16</p> <p>December 15 / Jan 16</p>
<p><b>Ensure that business planning is fit for the future.</b> Undertake a gap analysis of the current approach to corporate planning and the requirements of the Act. Put in</p>	<p>MCC acknowledges that integrating the FG Act into all our business planning processes is key to fully integrating sustainable development across the</p>	<ul style="list-style-type: none"> <li>▪ We will be building the Wellbeing Goals and SD Principles into the 2016/17 service planning principles. The Policy and Performance team will challenge the plans to ensure compliance with the principles which</li> </ul>	<p>Policy and Performance Team</p>	<p>Jan – April 16</p>

NEXT STEP	RESPONSE	ACTION	WHO	WHEN
<p>place actions to ensure that the Council's corporate and service planning is equipped to embed SD and respond to the requirements of the Act.</p>	<p>work of the Council. Some of these are described in the previous section. A gap analysis of what was needed to comply with both the spirit and letter of the legislation was carried out as part of the preparation for the WAO assessment of our preparedness for the Act. These gaps have informed all the work outlined in this response.</p>	<p>will include the Goals and Principles of the Act.</p> <ul style="list-style-type: none"> <li>▪ The Policy and Performance team will lead a review of our corporate policies to identify changes required in line with the Act (e.g. Asset Management Plan, People Strategy, Improvement Planning)</li> <li>▪ Work with the Finance team to raise understanding and awareness of the Act so that it can inform their discussions when they meet with managers to discuss budgets.</li> </ul>	<p>Policy and Performance Team</p> <p>Joy Robson</p>	<p>Dec – April 16</p> <p>From April 2016</p>
<p><b>Establish mechanisms to provide regular feedback on preparedness and the progress the Council is making on embedding sustainable development.</b> Ensure reporting streams enable members and officers to understand whether: the council is acting in accordance with the SD principle, and whether the council is maximising contribution to the 7 Wellbeing Goals.</p>	<p>The cross cutting nature of the FG Act means that there is no one specific method for feeding back to officers and members. A variety of approaches is being taken e.g. reporting to Cabinet, Member Seminars, developing Scrutiny of the PSB, reporting to SLT, adopting the Future Generations Evaluation, embedding in service and improvement planning etc</p>	<ul style="list-style-type: none"> <li>▪ Incorporating the FG Act Wellbeing Goals and SD principles into the service planning and improvement planning processes (see above).</li> <li>▪ The Future Generations Evaluation will enable officers and members to identify whether proposals are contributing to the Wellbeing Goals and Principles (see above).</li> <li>▪ Reports to Cabinet, Audit Committee and other committees as appropriate.</li> <li>▪ Member Seminars being delivered on the WFG Act</li> </ul>	<p>Policy and Performance Team</p> <p>All staff</p> <p>Hazel Clatworthy/ Policy and Performance team</p> <p>Hazel Clatworthy/</p>	<p>Jan – April 16</p> <p>November 15 onwards</p> <p>Ongoing</p>

NEXT STEP	RESPONSE	ACTION	WHO	WHEN
			Policy and Performance Team	May and December 15
<b>Use the Diagnostic Tool for ongoing assessment of the Council's response to the Act and to track progress in embedding SD.</b>	The diagnostic tool was a helpful starting point to identify strengths and weaknesses and raise the profile of the Act.	<ul style="list-style-type: none"> <li>▪ Consider when would be the most appropriate time to use either the Diagnostic Tool or the Diagnostic Tool Light to measure progress in embedding SD.</li> </ul>	Policy and Performance Team	Spring 16
<b>Explore the potential of Integrated Reporting</b> to enable all personnel to: articulate how the Council creates value; and understand the Council's impact on the financial, human, cultural and natural resources on which it is dependent.	We have trialled integration of reporting finance and performance information, as part of budget monitoring. This has identified that further development of the information is needed.	<ul style="list-style-type: none"> <li>▪ Finance, performance and outcome data are currently considered together in balanced scorecards which all services have in place.</li> <li>▪ We will use the proposed national indicators to help measure and report on our contribution towards achieving the Wellbeing Goals.</li> </ul>	Policy and Performance Team  Policy and Performance Team	Ongoing  From April 2016

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## Monmouthshire County Council

# The Well-being of Future Generations Act: a commentary on preparedness

**Issued:** May 2015

**Document reference:** 305A2015

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# Status of report

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# Detailed report

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## Introduction

1. Monmouthshire County Council requested that the Auditor General undertake a review of the Council's preparedness for the proposed Well-being of Future Generations Act (the Act), as part of the support being provided under the WLGA's Early Adopters' Programme. The WAO is engaging with the Early Adopters' programme to support improvement and inform the WAO's response to the Act.
2. In response to the request from the Council, the Auditor General took the opportunity presented by the planned Corporate Assessment to undertake a light touch review of the Council's preparedness for the requirements of the Act. The review took place alongside, but separate from, the Corporate Assessment. This approach had the advantage of:
  - maintaining the integrity of the Corporate Assessment methodology and approach;
  - minimising the impact on the Council by using the Corporate Assessment arrangements to undertake the review activities; and
  - enabling the review of preparedness to be informed by the Corporate Assessment.
3. The output is a short commentary, which will be followed by a shared learning round table event with participants from the Council, the WLGA and WAO. This will provide an opportunity to identify key learning points and agree how the learning should be shared more widely with the public service in Wales.

## The Well-being of Future Generations Act

4. The Well-being of Future Generations Act will require the Council to carry out sustainable development. The Act sets out in law what sustainable development means in Wales. It also places a well-being duty on public bodies. This requires each public body to carry out sustainable development by:
  - setting and publishing well-being objectives designed to maximise its contribution to achieving each of the seven national well-being goals; and
  - taking all reasonable steps to meet those objectives.
5. Public bodies are required to apply the sustainable development principle to the setting of objectives, and the steps taken to achieve them. This will require applying the five principles of: long term, integration, prevention, collaboration and engagement. The national well-being goals are: a prosperous Wales, a resilient Wales, a healthier Wales, a more equal Wales, a Wales of cohesive communities, a Wales of vibrant culture and thriving Welsh language, and a globally responsible Wales<sup>1</sup>. Each public body will be required to apply all of the principles to maximising its contribution to all seven of the national goals. This will have a major impact on governance and strategic decision making. It will be a significant challenge to business as usual.

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<sup>1</sup> See appendix 1 for a full description of the goals.



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6. The Act also requires the Auditor General to carry out examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle when: setting well-being objectives; and taking steps to meet those objectives.
  7. It is proposed that the exercise should be light touch and focus on the degree to which the Council is equipped to deal with the implications of the Act. The review will not therefore seek to replicate the examinations of the sustainable development principle which the Act proposes that the Auditor General should undertake.
  8. The Act states that, “sustainable development” means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the wellbeing goals’.
  9. Forum for the Future<sup>2</sup> sets out a spectrum of leadership. It describes some of the characteristics of an organisation that is applying a systemic approach to leadership for sustainable development.  
*‘Sustainability thinking is hardwired into the culture of the organisation, and the values implicit in sustainable development are reflected in everything from staff mindsets to resource planning. Sustainability principles are at the heart of the business model for delivering public services. Tensions still exist – between short and long-term priorities, and between the scale of the challenge and the resources to tackle it. But systems thinking ensures the organisation avoids perverse or contradictory action in different service areas, and looks upstream to tackle problems more efficiently at source.’*
  10. Sustainable development requires decision making to be informed by:
    - an understanding of the long term implications of decisions;
    - by a recognition of environmental limits; and
    - an integrated approach to economic, social, environmental and cultural well-being.
  11. These are the defining features which distinguish sustainable development from business as usual.

## Summary of Findings

**The Council has a clearly stated ambition to implement the Well-being of Future Generations (Wales) Act. The Council also has some building blocks in place, which should provide a foundation on which to build a more embedded and systematic approach to sustainable development. However, at this early stage, there is a lack of consistency in message, understanding and approach, and key business processes are not being utilised to embed sustainable development. This is contributing to a disconnection between the Council’s ambition and practice.**

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<sup>2</sup> Stepping up: a framework for public sector leadership on sustainability, Forum for the Future, 2010

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**“Governance, strategy, and sustainability are becoming more and more inseparable because the long-term survival of organizations is no longer only affected by economic factors, but also by social and environmental ones”**

Professor Mervyn King, former South African Supreme Court Judge, Chair International Integrated Reporting Council.

## Building Blocks

### Ambition

12. The Council’s Improvement Plan for 2014-17, ‘Shaping our future’, is commendably clear in stating the Council’s ambition to implement the Welsh Government’s Well-being of Future Generations Act and ‘place sustainable development as our central organising principle’. This is supported by the Plan’s section on values which refers to sustainable development as being ‘central to how we operate as a council’. The section also explains that sustainable development ‘means giving equal consideration to social, economic, environmental and ecological issues and thinking about...impact on the earth in the long term’. Reference is also made to the Council’s Strategic Equality Plan and its commitment to the Welsh language.
13. The 2014-17 Improvement Plan places the Council’s priorities in the context of sustainable resilient communities, which is stated as being the cornerstone of the County’s Single Integrated Plan (2013-17). The vision set out in the Council’s Improvement Plan ‘Shaping our Future’ explains that ‘the sustainability of a community depends on creating and maintaining its economic and environmental health, promoting social equity and increasing citizen engagement’.
14. Monmouthshire’s Single Integrated Plan (2013-17) also has a vision and three strategic themes that contain key elements of sustainable development, in terms of the economy, people and the environment.
15. The Conservative and Liberal Democrat Partnership Administration Continuance Agreement confirms the Council’s commitment to sustainable development (set out in the Improvement Plan, 2014 – 2017). The agreement commits the Council to being an early adopter of ‘the Future Generations Act that places sustainability at the heart of Public Services in Wales’. The agreement states that the Act’s focus on long term thinking, integration, collaboration, involvement and prevention sits well with the Council’s approach to community involvement. The agreement restates the commitment to the single integrated plan and adds an additional priority of, ‘maintaining locally accessible services’ to the Council’s three core priorities.

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## Understanding

16. Some individuals within the political and managerial leadership have a clear understanding of the challenges facing the Council, and the central role of sustainable development in helping the Council and its citizens respond. There are also pockets of expertise within the Council's staff, which have been able to focus the Council's activities to make progress in some key areas. These individuals also have a good understanding of the Well-being of Future Generations Act, and of the opportunities and challenges it presents.
17. The Portfolio Holder for Sustainability notes that much of the Council's response to sustainable development has been focused on the resilience agenda as a way of addressing the strategic risks and challenges the Council faces, for instance, an ageing population and climate change.
18. The Council's stakeholders, who we spoke to, were clear that the knowledge and understanding of key individuals at both officer and member level has been, and continues to be an important building block. The recent relocation of the Council's sustainability function into a corporate policy role was seen by stakeholders as a positive development.

## Enabling

19. A Council priority is to protect services in the face of reducing financial support, by focusing on enabling rather than providing. The Council's political and managerial leadership also views this as a way of building upon the high level of social capital available to the Council in the communities of Monmouthshire. A key aspect of this approach has involved engaging with communities and residents to work collaboratively on these agendas. The engagement takes place with communities, service users and county-wide. The Portfolio Holder for sustainability is actively participating in this engagement which is also seen as important for securing improvement. As such it is an important feature of the Council's preparedness for the Well-being of Future Generations Act.
20. The Monmouthshire Green Web is a community run website which provides a useful explanation of sustainable development. It makes reference to Fair Trade Town Groups but, due to the nature of the website, does not provide information on the way in which the Council addresses sustainable development and makes no mention of the Council as a major purchaser of goods and services. The website does take the opportunity to showcase the Council's collaborative and enabling approach by describing a number of community projects, including 'Eco Open Doors' and 'Climate Champions'.
21. The 'Your County, Your Way initiative and the social network 'Monmouthshire Made Open' are examples of the Council's commitment to building social capital and engagement. These building blocks clearly have the potential to contribute to the Council's preparedness for the Act.

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22. Stakeholders considered the Local Development Plan was an example of a key policy document in which the Council's sustainable development policies were embedded. They also noted that the local transport plan promotes active travel. The stakeholder group also considered the Council's response to the Wye Valley Area of Outstanding Natural Beauty compared favourably to the other authorities, with territory covered by the designation.

## Sustainable Development Projects

23. The Council pointed to projects and parts of its service delivery which it considers have demonstrated aspects of sustainable development. Councillors, officers and stakeholders identified a number of areas where they considered significant progress had been made including: renewable energy, community engagement, developing social capital, waste and recycling services and the pollinator policy. An external focus group, which we met, noted that in recent times the Council's Sustainability Officer has been located in corporate estate function and therefore has been focused on a number of well document projects. Reference was also made to 'Incredible edibles' and 'Whole Place Plans'.
24. Both officers and managers identified a number of areas which they considered contributed to the Council's preparedness for the Act. These included:
- the one-stop-shop approach and teams working together within the Council and with outside agencies;
  - joined-up thinking and awareness of impact on other services;
  - 21<sup>st</sup> century schools;
  - community engagement;
  - alternative fuels and electric vehicles;
  - BREEAM rated buildings;
  - inspection of food premises and exercise referral; and
  - the 'Intrapreneurship Initiative' raising awareness of the concept of the triple bottom line.

The Council could usefully explore these areas further with staff to gain a fuller understanding of how it can improve its preparedness for the Act.

## Procurement

25. The Council's approach to procurement received an independent Procurement Fitness Health Check in 2014. The health check undertaken by KPMG, noted that:
- the Council is a relatively small authority and that the strategic procurement team has limited capacity;
  - the strategic procurement team have completed a spend analysis;
  - the Council participates in a purchasing consortia but has limited influence; and
  - there is also a 'buyer's guide' which is intended to support staff from across the Council who are involved in procurement activities.

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26. This is a helpful building block with recommendations which have informed the Council's Draft Procurement Strategy (2015-19). The Draft Procurement Strategy also references the Wales Procurement Policy Statement 'Maximising the Impact of Welsh Public Procurement Policy'. The Council's 'vision for procurement' highlights the strategic role of procurement in contributing to the implementation of the Single Integrated Plan, and the delivery of the Council's 'community and improvement priorities'.
  27. The vision defines value for money in terms of cost and quality and emphasises the contribution of procurement to shaping services 'to meet the needs of residents, customers and communities'. The reference to securing wider social, economic and environmental benefits is also a key feature of the vision.
  28. The Council cites its participation in a shared apprentice scheme, social and community benefit clauses and a proactive approach to small medium enterprises as examples of a sustainable approach to procurement. A nationwide analysis<sup>3</sup> of spending with small businesses, by local government was published in 2014. It reported that Monmouthshire County Council was top of its index local authorities, spending 26.5 per cent of its total direct spend on small or medium enterprises.
  29. The Council is engaged with a range of Welsh Government procurement initiatives and their corporate procurement advisers utilise recognised frameworks. In support of the Council's approach to delegated procurement, the function is in the process of establishing a procurement Hub. This will involve training between eight to 10 non- procurement professionals to act as procurement disciples located in the big spending directorates.

### Well Being of Future Generations Act: Early Adopters Programme

30. The Council's decision to volunteer to join the WLGA Early Adopter programme is seen by senior councillors and senior management as an important commitment. It is also an important building block. It is an indication that the Council understands the need for further development and a willingness to collaborate and engage in shared learning.
31. Along with other Council's participating in the Early Adopter's programme, the Council completed an online diagnostic assessment. This was designed to help local authorities assess their current position and identify priority areas to address in the context of responding to the Act. The diagnostic identified 'Service co-design with community and partners' as a clear area of strength. Relative to other local authorities, the Council's approach to physical development also scores well in the self-assessment. The diagnostic also identifies business processes as a priority area for action.

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<sup>3</sup> <http://spendsmall.org/assets/Procurement%20Report%20WEB.pdf>

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## Areas for further development

- 32.** Many of the areas for further development identified in this light touch review of Monmouthshire County Council and set out in the following paragraphs, could be expected to feature in similar exercises in other local authorities. The Early Adopters Programme provides an opportunity for local authorities to work collaboratively to move further, faster in addressing key areas which are likely to have most impact.

## Communications

- 33.** The Council has not established a clear and consistent understanding that sustainable development is the means by which competing priorities can be managed, rather than one of those competing priorities. Sustainable development forms part of the staff induction, however discussions with Councillors, staff and document reviews show a wide range in the levels of understanding in terms of sustainable development. There is also a similar range of awareness of the Well-being of Future Generations Act although, given that it was still a Bill subject to change at the time, this would be the situation in many public bodies. We also note that the political and managerial leadership have been briefed and that a seminar for members had been scheduled to take place shortly after the Act received Royal Assent.
- 34.** In terms of high level statements, the Council can show that its Improvement Plan (2014-2017) mirrors many of the themes of the Act. However, Council documents reveal differences of focus and emphasis, in relation to sustainable development, depending on the area of activity or function. This is common to the public sector's approach to sustainable development. It is often characterised by focusing on an aspect of sustainable development which fits best with the organisation's or service area's priorities and approach. Within an organisation it can also be interpreted in different ways. For instance, the term sustainable will be used in a financial context when what is meant is financially viable; it will be used in a service context when what is meant is long term viability; and in an environmental context when what is meant is environmental stewardship.
- 35.** Following an Audit Commission Improvement Study review in 2004, the Council adopted a Sustainable Development Policy in 2006. This policy has had a limited impact on challenging business as usual. The service improvement planning documents and key corporate documents reviewed, such as the draft procurement strategy and the draft people strategy, make no reference to the sustainable development policy. However, we acknowledge that the Council's improvement planning challenge process is being amended to include the sustainable development principles.
- 36.** The presentation of sustainable development on the Council's web page does not help in this regard. The 'Sustainable Development' section on the website is not easily accessible. The term has to be searched for and is located in 'businesses, advice and legislation', which does not convey the idea of 'the central organising principle'. The website refers to the policy but provides no link. The references to recycling and the Green Dragon environmental management system serve to reinforce the perception



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that sustainable development is about environmental initiatives and green housekeeping. These issues, combined with its inaccessibility, make the web page a missed opportunity to contribute to the Council's preparedness for the Act. The page was last updated in 2013 and does not mention the 'Well-being of Future Generations Act.

37. This lack of clarity can contribute to the Council, its services and functions taking the view that if it is undertaking activity in terms of the economy, society and the environment, then that equates to sustainable development. Others will view sustainable development in terms of green housekeeping measures or environmental initiatives.
38. A clear and consistent understanding, which is communicated effectively, is the keystone for embedding sustainable development. This is a core activity for connecting the ambition to the delivery. However, communications emerged from focus groups, organised by WAO, as a key area for improvement. Combined with concerns about whether senior management were living the Council's values (which include openness) as identified in the Council's staff event, this means that a core function is not well-placed to support the Council's preparations for the Act.
39. The Council's extensive engagement with partners and its communities is noted as an important building block and clearly references the National Principles of Public Engagement. The principles are overarching and aimed at public service organisations across all sectors in Wales. They aim to offer a consistent approach and the opportunity to apply the 10 principles, to underpin the quality and effectiveness of public engagement<sup>4</sup>. There is also a toolkit which sets out a four stage participatory process to evaluate engagement activities in relation to the National Principles for Public Engagement.

## Business Processes

40. Many aspects of translating the Council's ambition of sustainable development into practice will rely on working with and influencing others. This adds to the difficulty in making decisions to improve long-term outcomes for future populations, which is an inherently uncertain area of practice. This is a key reason for ensuring that those levers which are controlled by the Council are being used effectively to support its ambition to embed sustainable development. Doing so will also create momentum, improve the skills and confidence of members and staff, and provide visible leadership for the wider community. This in turn will facilitate the process of working with and influencing others to consider money, people and planet when making decisions, and to take account of the long term. Ensuring that all the Council's business processes are re-engineered, to support and deliver sustainable development is a key pre-requisite for successful embedding.

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<sup>4</sup> <http://www.participationcymru.org.uk/national-principles/who-has-endorsed-them>

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## Priority setting and service planning

41. Although all decisions taken by members are supported by a sustainability impact assessment, it is uncertain whether the Council Priorities, as currently expressed and communicated through the service improvement planning process, will effectively support sustainable development. Embedding the sustainable development principle more clearly in the way priorities are considered and agreed, and the steps that will be taken to achieve them, would help the service improvement planning service to more effectively support sustainable development. It is also unclear whether the Council's priorities will maximise the Council's contribution to the seven national well-being goals. The national goal of 'a prosperous Wales' is defined in the Act as:  
*An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.*
42. The Council has secured a significant increase in renewable energy and associated reductions in CO2 emissions. The 2014 Chief Officer's report for Enterprise shows that the amount of energy generated from renewable sources increased from 169,924 KWH in 2011/12 to 509,649 KWH in 2013/14. The 2014-15 Service Improvement Plan sets out a vision 'to develop and promote an enterprise culture which builds resilience and creates excellent outcomes for our communities'. The mission is stated as being: 'Build the enterprise capacity and reinvent our future'. At a high level this dynamic and responsive approach has potential to support the Council's preparedness for the Act. However, there is no mention of the Act nor of the Council's Sustainable Development Policy. Neither is there any reference to 'low carbon', 'environmental limits' or 'climate change'. Similar issues can be identified in terms of the other goals and service improvement plans.
43. The Portfolio Holder for Sustainability emphasised the importance of balancing the three aspects of sustainable development, economy, environment and social. However, it is not clear how the Council will know how much progress it is making in achieving this balance. For instance, service improvement plans and performance reports generally do not reflect this balance, either individually or collectively.
44. The Council's Conservative and Liberal Democrat Partnership Administration Continuance Agreement confirms the Council's commitment to sustainable development. But the Agreement does not take the opportunity to balance its references to the challenge of living within financial constraints, by highlighting a similar imperative to live within environmental limits. However, to put this in context, the output from a WAO stakeholder group noted that councils are not generally aware of environmental limits and that 'Monmouthshire is probably further along than others'.
45. The Council has produced an 'Integrated Equality Impact Assessment Screening Form and Sustainable Development Checklist'. It cites this as an example of how it is seeking to embed sustainable development. The framework was last updated in 2014



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and this is the version found on the Hub for staff to use. The format uses the outcome headings: People, Planet and Profit.

## People Strategy

46. The Council's People Strategy has elements which have the potential to be helpful in support of the Council's response to the Act. References to the 'opportunities for all to work across boundaries and organisations for periods of time; 'citizen demand', and applying systems thinking are all examples. The green (critical) path also sets out a number of helpful actions and processes which could support the Council's commitment to sustainable development in the 2014-17 Improvement Plan. However, these are currently missed opportunities, due to the lack of reference to either sustainable development or the Act. Nor is there any analysis of the implications of embedding sustainable development for training and development or recruitment. The sections, 'Publish and Communicate revised statement on: values, behaviours, expectations, context;' and 'Clarify what is expected of employees...' provide opportunities to clarify and explain what making sustainable development central to the way the Council operates means. However, this opportunity is not taken.
47. In 2004 the Audit Commission noted that 'the link between the performance management framework and sustainable development has yet to be made'. Embedding sustainable development in an organisation's performance management framework has been widely recognised as a key to translating rhetoric in to reality, for over a decade. The Council is in the process of introducing a new employee appraisal system, which has not embedded sustainable development. This is a missed opportunity. The Council does not have a Workforce Plan and so has not undertaken an analysis of the implication for the workforce of the skills and competences that will be required to respond effectively to the Act.

## Procurement

48. Procurement is a key area for embedding sustainable development and is, therefore, a good litmus test of whether sustainable development is central to the way the Council operates. Many aspects of sustainable development will be beyond the direct control of a council and will require it to focus on influencing and persuading. Procurement is a lever which is within the control of the Council (within the limits of EU directives). It can also be used to influence partners and shape the market.
49. In 2006 the Chair of the UK Procurement Task Force set out, clearly and unequivocally, the core role of procurement in supporting sustainable development policy ambitions:  
*'Bringing together the business and the policy arms of government is what sustainable procurement is about. It is about how the government's immense buying power can be used to make rapid progress toward its own goals on sustainable development. It is something the best of the private sector is already doing – whether as a result of enlightened leadership or shareholder pressure. It is something the private sector*

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*expects of the public sector. It is also, increasingly, something the public themselves expect. And it is something that really matters.*

*Sustainable procurement – in short using procurement to support wider social, economic and environmental objectives, in ways that offer real long-term benefits, is how the public sector should be spending taxpayers' money. Anything less means that today's taxpayer and the future citizen are both being short-changed<sup>5</sup>.*

50. The 'Suppliers' Guide' states that Monmouthshire County Council 'spends in excess of £80 million annually on buying goods, works and services...' This highlights the potential for this spend to be directed towards implementing the Council's ambitions regarding sustainable development. It is not helpful, therefore, that the Suppliers' guide refers to benefits for communities, the local economy and the environment as 'additional' and 'where possible'. The guide also refers to 'value for money' without providing any clarification of what this means in practice. Nor does the guide signpost readers to any further guidance and tools, which could help them tackle the very real practical challenges of seeking to implement responsible procurement.
51. At the time of this review, the Council's did not have a current procurement strategy and therefore a means of connecting ambition to delivery is not being fully utilised. At the time of the review, the first procurement strategy (2008 – 2013) had not yet been replaced by the second procurement strategy (2015-2019), which is still in draft. Both procurement strategies refer to sustainability and the role of procurement in securing wider social, economic and environmental benefits. However, they do not explain what sustainable or responsible procurement means in practice. For instance, they do not explore the potential for both synergy and conflict between 'maximising value for money efficiency savings' and 'collaborative opportunities' and sustainable procurement.
52. Providing an agreed, Council wide understanding of what sustainable or responsible procurement means in practice, is particularly important where 'the management of budgets, control of spending and purchasing is devolved to individual budget holders'. This lack of clarity is illustrated by the Council citing that their high proportion of Small Medium Enterprise spend as an example of how procurement is actively supporting sustainable development. This does not reflect a balanced and integrated consideration of economic, social, environmental and cultural factors.
53. In this respect the Council has not made the most effective use of available expertise and resources, both internal and external. In 2004 the Audit Commission found that: *'The Council has developed a new draft procurement strategy, which includes some general guidance on sustainability. However, the Environmental Co-ordinating Officer, whose task it is to ensure sustainable development is incorporated across the Council's services, was not involved in the group working on the Strategy'*.
54. A decade later the current Sustainability Officer has not been involved in the development of the 2015-19 draft procurement strategy.

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<sup>5</sup> Sir Neville Simms, Procuring the Future: sustainable procurement national action plan, DEFRA 2006



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- 55.** Having current, fit-for-purpose business processes in place is an important prerequisite for effectively embedding sustainable development. It is not helpful, therefore, that the Procurement Fitness Check found the Council's level of procurement maturity is relatively low compared with the average for Welsh councils. In addition, the importance of this function, for delivering the Council's ambition, is not reflected in the message conveyed by the Procurement Strategy still being in draft, 18 months after the expiry of the previous strategy. However, this does mean that there is an opportunity to revise the draft strategy and ensure that it puts in place a framework, supported by guidance and tools, which ensures that all the Council's procurement is sustainable procurement.

### Improvement Planning and Reporting

- 56.** Despite the prominence given in the Council's Improvement Plan to the Future Generations Bill, and other corporate initiatives to strengthen the Council's desire to embed sustainability issues, its improvement planning and reporting is not yet effectively supporting its ambition to make sustainable development central to the way the Council operates.
- 57.** The Portfolio Holder for Sustainability also referred to the commitment in the 2014-17 Improvement Plan and to the 'Integrated Equality Impact Assessment Screening Form and Sustainable Development Checklist', as examples of how the Council is seeking to embed sustainable development.
- 58.** Some service improvement plans reflect elements of sustainable development, such as the 2014-2015 Estates and Sustainability Service Improvement Plan, which sets out a plan for increasing the production of renewable energy. However, this plan provides no route map for embedding sustainable development in all that the Council does, and the way that it does it. Nor does it refer to the Well-being of Future Generations Act and the need to prepare for its commencement. The same is the case for other service improvement plans which do not set out how the ambition, set out in the Council's Improvement Plan 2014-17, will be translated in to action in its services and functions.
- 59.** Reporting that is honest, balanced and focused on what matters most is a key factor in making progress towards sustainable development. In its 2014-17 Improvement Plan under 'Improvement Objective 3, the Council notes how it will contribute to the delivery of the County's Single Integrated Plan. One of four contributions to enable business and enterprise to prosper in Monmouthshire is: 'retain more of the spend of visitors, citizens and businesses within Monmouthshire.' Reference was made to a report published in 2014 which placed Monmouthshire at the top of an index, with 25.6 per cent of direct spend being awarded to small businesses. However, the Western Mail has recently reported that Monmouthshire was unable to provide information on how many goods or services they buy locally, or buy in Wales. Without routine access to this information members and officers will not be able to track progress, and take timely remedial action if necessary.

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60. The Suppliers' Guide refers to the Council's commitment to 'Responsible Procurement'. However, no information is routinely reported which would enable officers and members to assess how well the Council is performing, against that commitment.
61. Of the Council's Chief Officers' reports which we reviewed, none referenced the Council's sustainable development policy nor the commitment made in the 2014-17 Improvement Plan. Neither did the sections which were looking forward note the need to prepare for the Act.
62. In 2004 the Audit Commission published a Sustainable Development Improvement Study of the Monmouthshire County Council. Its findings included:
- "a lack of a clear structure for sustainable development in council policy formation;
  - the link between the performance management framework and sustainable development has yet to be made; and
  - the officer, whose task it is to ensure sustainable development is incorporated across the Council's services, was not involved in the group working on the procurement strategy".

We acknowledge that the Council has made progress since 2004 in a number of ways including: the development of the assessment tool, reference to Sustainable Development in all council and cabinet reports and the creation of a policy and performance team including a sustainability policy officer.

63. That these issues are reflected in this commentary does not reflect well on the progress made during the last decade. This suggests that the Council is not well prepared for the Act in terms of core business processes.

## The Next Steps

**"You all have heard of 'the tone at the top.' I talk about 'the tone at the top, the tune in the middle, and the beat of the feet at the bottom.' The board and top management have to make sure that the whole company has bought into the new strategy and is facing in the same direction".**

Professor Mervyn King, former South African Supreme Court Judge, Chair International Integrated Reporting Council.

64. **Establish a clear and consistent understanding.** Provide a clear explanation of sustainable development in the context of the Act. Securing a clear and consistent understanding, across the Council, is a key foundation which needs to be put in place. Without this any further work is likely to be ineffective and of limited value. The Council's membership of the Early Adopter's programme should assist it in accessing the materials and organisations, which are readily available and offer a wide range of tools and techniques. This should ensure that Council members and staff at all levels have a clear and consistent understanding of:
- sustainable development and the Well-being of Future Generations Act;

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- the benefits and challenges the Act will bring for the citizens of Monmouthshire; and
  - the implications for the Council and its partners.
- 65. Develop and enhance leadership for sustainable development.** Work with the WLGA Early Adopters' Programme to develop and broaden the capacity and understanding of sustainable development amongst the Council leadership. 'Stepping up: a framework for public sector leadership on sustainability' by Forum for the Future provides a useful resource to start this process. This work should be linked to the work of embedding sustainable development in people management and should inform workforce planning and development.
- 66. Better equip the Council to respond to the Well-being of Future Generations Act by targeting key business processes.** The results of the Early Adopters' Diagnostic Self-Assessment undertaken in 2014, although limited in reach and by the variable degrees of understanding across the Council, identified business processes as an area for improvement. This commentary confirms business processes as one of a number of areas where the Council's response needs to be more coherent and consistent. It also provides further insight on some of the issue which need addressing. This provides a basis for better equipping the Council to respond to the Act, by targeting work on key functions such as: communications; business planning, procurement and people management services. The results of the Early Adopters Diagnostic, The Procurement Fitness Health Check and this commentary identify procurement and people management as two priority areas.
- 67. Ensure that business planning is fit for the future.** Undertake a gap analysis of the current approach to corporate planning and the requirements of the Act. Put in place actions to ensure that the Council's corporate and service planning is equipped to embed sustainable development and respond to the requirements of the Act.
- 68. Establish mechanisms to provide regular feedback on preparedness and the progress the Council is making on embedding sustainable development.** Ensure reporting streams enable members and officers to understand whether:
- the Council is acting in accordance with the sustainable development principle when setting objectives and taking steps to meet those objectives; and
  - whether the Council is maximising its contribution to the seven national well-being goals.
- 69. Use the Diagnostic Tool for on-going assessment of the Council's response to the Act and to track progress in embedding sustainable development.** The Early Adopter's Programme notes that in addition to providing an initial assessment of the Council's current position the diagnostic provides a tool for on-going assessment and to track performance. The Council should use this as an opportunity to extend both the reach of the self-assessment and its depth. This will also be a useful way of developing a more rigorous and self-aware approach to self-assessment, which is likely to feature in proposals for reforming local government.

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**70. Explore the potential of Integrated Reporting** to enable all personnel to:

- articulate how the Council creates value; and
- understand the Council's impact, both positive and negative, on the financial, human, cultural and natural resources upon which it is dependent.

# Appendix 1

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## The Well-being Goals

Goal	Description of the goal
A prosperous Wales.	An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.
A resilient Wales.	A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).
A healthier Wales.	A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.
A more equal Wales.	A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio economic background and circumstances).
A Wales of cohesive communities.	Attractive, viable, safe and well-connected communities.
A Wales of vibrant culture and thriving Welsh language.	A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.
A globally responsible Wales.	A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.



# Appendix 2

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## Resources

### Leadership for sustainable development

Forum for the Future also sets out steps for adopting a systemic approach to sustainable development:

- Make the case
- Build networks
- Link policy and delivery
- Share the learning
- Create a learning culture
- Run demonstration projects
- Skill up for public engagement
- Hardwire sustainability into your financial processes
- Innovate

<https://www.forumforthefuture.org/project/stepping-framework-public-sector-leadership/overview>

### People management and sustainable development

<http://www.scdc.org.uk/media/resources/what-we-do/building-comm-cap/CASS/CASS%20People.pdf>

<http://www.cisl.cam.ac.uk/publications/human-resources-and-sustainable-development>

Accounting for Sustainability have a range of resources to support sustainable development decision making tool and strengthened by training.

Although many organizations now have sustainability policies, relatively few have robust systems and procedures to embed these consistently and effectively into the “DNA” of their businesses.

A4S has identified the 10 main elements required to embed sustainability successfully in an organization. These are:

- board and senior management commitment;
- understanding and analysing the key sustainability drivers for the organization;
- integrating the key sustainability drivers into the organization’s strategy;
- ensuring that sustainability is the responsibility of everyone in the organization and not just of a specific department;
- breaking-down sustainability targets and objectives for the organization as a whole into targets and objectives which are meaningful for individual subsidiaries, divisions and departments;
- processes that enable sustainability issues to be taken into account clearly and consistently in day-to-day decision-making;

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- extensive and effective sustainability training;
  - including sustainability targets and objectives in performance appraisal;
  - champions to promote sustainability and celebrate success; and
  - monitoring and reporting sustainability performance in an integrated way.

<http://www.accountingforsustainability.org/embedding-sustainability/10-main-elements-to-embed-sustainability>

<http://www.accountingforsustainability.org/wp-content/uploads/2011/10/Decision-Making-Tutorial.pdf>

### **Procurement**

Buying a Better World & the Sustainable Procurement Toolkit

<https://www.forumforthefuture.org/project/buying-better-world-sustainable-procurement-toolkit/overview>

[https://www.cips.org/Documents/Products/Sustainable Procurement Review %20new 10go.pdf](https://www.cips.org/Documents/Products/Sustainable_Procurement_Review_%20new_10go.pdf)

### **Public Engagement**

National Principles for Public Engagement:

[http://www.participationcymru.org.uk/media/288784/national\\_principles\\_for\\_public\\_engagement\\_aug1\\_.pdf](http://www.participationcymru.org.uk/media/288784/national_principles_for_public_engagement_aug1_.pdf)

National Principles for Public Engagement – evaluation toolkit:

<http://www.participationcymru.org.uk/national-principles/evaluation-toolkit>



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