

<b>SUBJECT</b>	<b>Audit Wales Work Programme: Council Progress Update</b>
<b>MEETING:</b>	<b>Governance and Audit Committee</b>
<b>DATE:</b>	<b>19<sup>th</sup> October 2023</b>
<b>DIVISION/WARDS AFFECTED:</b>	<b>All</b>

## 1. PURPOSE

- 1.1 To provide the committee with an update on the council's progress against the Audit Wales Work Programme up to October 2023 so that the committee can assure itself of the progress of the council's response.

## 2. RECOMMENDATIONS

- 2.1 That members scrutinise the council's response to the Audit Wales work programme, seeking assurance that adequate progress is being made.
- 2.2 That members refer any issues contained within Audit Wales national study to other committees for consideration where they identify there are findings of particular relevance to the council that need further scrutiny.

## 3. KEY ISSUES

- 3.1 Each year, Audit Wales produces an Audit Plan, which sets out the work they intend to undertake to discharge their duties, and this is presented to Governance and Audit Committee upon publication. The performance audit work programme set by Audit Wales focusses on discharging duties in relation to value for money and sustainable development:
- Value for money - The Council has to put in place arrangements to get value for money for the resources it uses.
  - Sustainable development principle - The Council needs to comply with the sustainable development principle when setting and taking steps to meet their well-being objectives.
- 3.2 This report provides an update on the progress being made by the council in implementing the findings of Audit Wales reviews. This includes an update on progress against existing proposals for improvement/recommendations, followed by the latest local audit work carried out since the last review, with an accompanying management response. Recommendations that require further attention are marked as 'open'. Where a recommendation has been assessed as being adequately addressed, it is 'closed' and explanation why included. Some of the forward-looking actions committed to by the authority are likely to be reflected within other council strategic documents such as the Community and Corporate Plan, enabling strategies, the Whole Authority Strategic Risk Assessment and the Medium-Term Financial Plan.
- 3.3 As well as local work at each council, Audit Wales carries out national studies across the local government sector to make recommendations for improving value for money, and all of these reports are published on [www.audit.wales/publications](http://www.audit.wales/publications). Whilst the findings of these studies are not necessarily specific to Monmouthshire County Council, those of greatest relevance are shared with the most appropriate service area to consider their findings and recommendations and to respond accordingly. Appendix 2 identifies the studies most applicable to the council since the last iteration of this report, along with a management response outlining service area's actions in response to the study.

- 3.4 Governance and Audit Committee has a role in ensuring the council is responding to the findings from national studies and can also refer them to another scrutiny committee if they feel the report requires further in-depth consideration beyond the response already provided by the service area. The committee may also refer issues to Democratic Services Committee who are able to perform a coordinating function.
- 3.5 The council works closely with regulators and inspectors to quality-assure activities as this is vital to ensuring improvement. Their feedback is valued, and their assessments are used to help us focus on the things we need to improve. Their findings have informed the council's own self-assessment of its performance in 2022/23. The Audit Wales work programme and timetable update from June 2023, also on the agenda, provides an update on the work of Audit Wales, Estyn and Care Inspectorate Wales. Findings from Estyn and Care Inspectorate Wales have their own monitoring arrangements in place. Consideration will be given to incorporating further oversight of these, where they relate to the council's performance arrangements, in future updates of this progress report to Governance & Audit Committee.
- 3.6 Audit Wales, 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 appropriately to Audit Wales proposals and recommendations to secure the improvements required.

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

Finance and any other resource implications of activity related to responses to the proposals will need to be considered by the relevant responsibility holders.

#### **6. CONSULTEES**

Individual audit report responsible officers  
Deputy Chief Executive

#### **7. BACKGROUND PAPERS**

Audit Wales Audit Plan 2023  
Audit Wales work programme and timetable update – quarter 1, June 2023

#### **8. AUTHORS**

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## Appendix 1

### Open Audit Wales Proposals for Improvement

#### Finance Proposals

Report	Financial Sustainability Assessment – June 2021			
Audit Wales Proposal	To ensure its Medium-Term Financial Plan predicts future funding requirements as accurately as possible, the Council should regularly review its future cost pressure estimates to ensure they are reasonable and reflect recent levels of cost pressures.	Status	Open	
	To bridge its estimated future funding gap and contribute to strengthening its financial sustainability, the Council should develop and deliver a programme of sustainable planned savings over the medium-term.			
Context	<p>The budget for 2022/23 saw £10.1m of budget pressures being accommodated. Despite this, significant further in year service pressures materialised during the year, with many of these pressures developing in the same key areas that have been provided additional support in the budget. 2022/23 saw a net revenue budget deficit at outturn of just over £3.5m that required a contribution from earmarked reserves to fund the additional expenditure occurred. The primary reasons for this deficit were overspends within adult's and children's social care services, overspends within additional learning needs provision, additional costs in relation to homelessness and pay awards. These were significantly offset by the receipt of unbudgeted grant, improved income, significant staff vacancies across services, higher than budgeted investment and Council tax income, and lower costs in some non-pay service areas. The deficit at outturn represented a significant improvement from the position forecast at month 9, with just over £2.5m less needing to be contributed from reserves.</p>			
	<p>An early 2023/24 revenue budget update indicates £4.221m of service pressures, the largest coming from care provider service fees within Adult's and Children's services, ALN transport &amp; recoupment, pay inflation and homelessness. This is coupled with a shortfall of £1.896m against savings targets set as part of the 2023/24 budget. In light of developing financial pressure, Cabinet recently approved the budgeted use of £2.5m of useable reserves to increase the Council's overall level of inflation contingency budget for 2023/24 to a total of £3m. The use of a further £2.5m equates to the amount of reserves that were originally anticipated to be required to support the 2022/23 budget outturn position, but were not ultimately called upon.</p> <p>As we move towards the first formal monitoring period at Month 5, work will continue to formalise a structured approach to tackling the early budget pressures which looks to explore all available options open to the Council. Service savings and reform remains critical to ensuring that the Council reduces the overall cost of services and remains in financially sustainable position moving into the budget setting process for 2024/25.</p>			
Planned actions	Desired Result	Action	Responsible Officer & Timescale	Progress so far
	A medium-term financial plan which is based on realistic	Develop a Medium-Term Financial Plan that is based on realistic	Deputy Chief Executive	The MTFP was refreshed and updated during the 2023/24 budget setting

	evidence and planned scenarios to allow a structured and planned approach to service delivery in the medium term in line with community and corporate plan priorities.	evidence and planned scenarios, to guide budget setting in line with agreed strategic objectives	December 2023	process to ensure that the latest information and pressures had been considered.  A Medium-Term Financial Strategy, which aligns with the commitments set out in the Community and Corporate Plan, will be presented to Council for approval in December/January. This will be accompanied by a refreshed Medium-Term Financial Plan and is one of eight enabling strategies.
	In parallel with the above, to develop and deliver a programme of sustainable planned savings over the medium-term to allow a balanced budget to be set that delivers on agreed community and corporate plan priorities.	A robust and detailed review of planned savings brought forward that ensure that the impact on service delivery is mitigated where possible and that contributes to an overall sustainable budget position in the medium term.	Deputy Chief Executive  March 2024	The budget setting process for 2024/25 is currently being developed, aligned to the development of a more robust Medium Term Financial Strategy and Plan. Progress with planned savings is monitored as part of periodic budget monitoring reports.

### Workforce & Asset Management proposals

Report	Audit Wales Springing Forward – August 2022		
Audit Wales Recommendations	<p>In developing its new asset management and workforce strategies, the Council should build on its experience of the pandemic and place the sustainable development principle at the heart of its considerations, and specifically ensure it:</p> <ul style="list-style-type: none"> <li>takes account of longer-term trends that may affect service provision and the efficient use of assets and workforce.</li> <li>sets out its intended outcomes over the short, medium and longer term.</li> </ul>	Status	Open

	<ul style="list-style-type: none"> <li>• takes account of how the strategies impact on the objectives of other organisations in the county and regionally.</li> <li>• takes account of the views and needs of staff, service users and partners. In doing so the Council should seek to understand how, where and when users want to access services post-COVID-19 and how that might influence future asset needs and workforce planning.</li> <li>• collaborates with public sector partners across Gwent to evaluate the potential benefits of developing a strategic long-term approach to a single public estate</li> </ul>	
	As the Council begins to implement its new strategies, it should seek to build on existing examples of working with partners by developing a more systematic approach to considering opportunities for collaboration.	
	To support regular scrutiny and decision-making by elected members and help provide assurance over value for money, the Council should ensure that the outcomes set out in its workforce and asset management strategies are supported by SMART performance measures, and that benchmarking is used where appropriate.	

Planned actions	Desired Result	Action	Responsible Officer & Timescale	Progress so far
		To place the sustainable development principle at the heart of considerations.	To develop a new set of enabling strategies that will facilitate the delivery of the Community and Corporate Plan.	Deputy Chief Executive  Winter 2023

				<p>principles and that we are aligning our key strategies and business plans to support the delivery of these objectives. We will ensure that the sustainable development principles are also embedded when developing our enabling strategies.</p>
	<p>To build on existing examples of working with partners by developing a more systematic approach to considering opportunities for collaboration.</p> <p>To support regular scrutiny and decision-making by elected members and help provide assurance over value for money.</p>	<p>To review the Asset Management Plan, including considering opportunities for collaboration and establishing mechanisms to evaluate delivery.</p>	<p>Deputy Chief Executive</p> <p>December 2023</p>	<p>The Asset Management Plan was updated to reflect the ongoing commitments following the conclusion of the Corporate Plan 2018-22. This plan was successfully implemented throughout 2022/23.</p> <p>A refreshed Asset Management Strategy is currently being developed. The Asset Management Plan will be reviewed following the approval of the refreshed Asset Management Strategy, to ensure alignment between the two.</p> <p>Both the strategy and plan will consider any further opportunities for collaboration or partnership working. They will also establish the assessment criteria under which property performance will be assessed. The Asset Management Plan will include the agreed actions and objectives relating to the land and property functions and portfolios, including the governance arrangements under which the Investment Portfolio will continue to be monitored and evaluated. The Asset Management Plan will be reviewed annually to ensure it continues to provide the appropriate assurance that</p>

				value for money and best consideration is being achieved.
		To review the People Strategy, including considering opportunities for collaboration and establishing mechanisms to evaluate delivery.	Chief Officer People, Performance and Partnerships  Winter 2023	A refreshed People Strategy is currently being developed. This will ensure that it is aligned with the Community and Corporate Plan. This will also consider any further opportunities for collaboration or partnership working. Mechanisms to evaluate the delivery of strategy will be established, including milestones and performance measures where relevant.
	Clarity over the Council's approach to the use of its assets to support robust decision making.	Replace the current asset management IT system with a system that incorporates the Financial Asset Register as well as providing a comprehensive solution for the effective management of property data	Head of Commercial and Integrated Landlord Services  March 2024	Work in ongoing to replace the current asset management IT system in place. A Project Team has been created to agree the specification for a new, more effective Asset Management System which will also incorporate a Financial Asset Register. Implementation is due to commence by March 2024.

## Appendix 2

### Audit Wales national studies published since last update

Report	'Cracks in the Foundations' – Building Safety in Wales (August 2023)	
Outline of the Review	<p>Following the Grenfell tragedy, an independent review into Building Regulations and fire safety was commissioned by the UK Government. This review exposed longstanding issues of ignorance, indifference, a lack of clarity on responsibility and regulatory oversight within the building safety system. The report recommended a new framework to replace the current system, which resulted in the Building Safety Act 2022. The Act represents the biggest shake-up of building safety regulation since 1984 in England and Wales.</p> <p>This Audit Wales report looks at how the Welsh Government, local authorities and their key partners are implementing the requirements of the Building Safety Act 2022, with a focus on assessing the preparedness of bodies to take on their new and enhanced responsibilities, the resilience of existing services, and the robustness of building safety assurance systems. The full report can be found <a href="#">here</a>.</p>	
Audit Wales Summary	<p>The overall conclusion of the report is that responsible bodies – particularly local authorities and fire and rescue – are unable to effectively discharge their responsibilities and ensure buildings in Wales are safe. A divergence of policy between UK and Welsh Governments has resulted in uncertainty around how the act will be implemented in Wales, preventing local authorities from developing comprehensive delivery plans in light of new and revised responsibilities.</p> <p>The report also finds that, as a profession, building control and building safety face significant staffing challenges. An ageing workforce, poor succession planning, a wider lack of investment in services and training and development highlight that these services are not resilient for the future. Audit Wales also found concerns with the financial management of building control, concluding that in some authorities, current practices are potentially unlawful with services not operating in line with regulations and guidance. Opportunities to strengthen services through collaboration and regionalisation are not being prioritised and little work has taken place in these areas.</p> <p>The absence of a national framework for monitoring and evaluating building control and building safety means that local authorities and their partners are not working to agreed appropriate outcome measures, targets, or benchmarks. Coupled with limited scrutiny and evaluation of building control and building safety, and poor management of risk, Audit Wales conclude that assurance systems are inadequate.</p>	
Management Response	Recommendations	Response
	Local authorities should develop local action plans that articulate a clear vision for building control to be able to plan effectively to implement the requirements of the Act. The Plans should:	The Building Control Service Business Plan sets out the service area's action plan and desired outcomes for the next three years, along with key performance indicators to track progress. These actions are aligned to our Council's Well-being Objectives, national Well-being Goals and the

	<ul style="list-style-type: none"> <li>• be based on an assessment of local risks and include mitigation actions;</li> <li>• set out how building control services will be resourced to deliver all their statutory responsibilities;</li> <li>• illustrate the key role of building control in ensuring safe buildings and be linked to well-being objectives and other corporate objectives; and</li> <li>• include outcome measures that are focused on all building control services, not just dangerous structures.</li> </ul>	<p>Sustainable Development Principle, and also wider legislation. The plan also contains a detailed breakdown of resources for the present year, and includes a risk register to monitor and mitigate risks.</p> <p>The plan also includes a section on how the Act will be implemented within Monmouthshire and what changes would occur as a result. The section is regularly reviewed and updated to ensure it is in line with the latest information received from Welsh Government.</p>
	<p>Local authorities should urgently review their financial management of building control and ensure they are fully complying with Regulations. This should include:</p> <ul style="list-style-type: none"> <li>• establishing a timetable of regular fee reviews to ensure charges reflect the cost of services and comply with the Regulations;</li> <li>• annually reporting and publishing financial performance in line with the Regulations;</li> <li>• ensuring relevant staff are provided with training to ensure they apply the Regulations and interpret financial reporting correctly; and</li> <li>• revise fees to ensure services are charged for in accordance with the Regulations.</li> </ul>	<p>The council's charging mechanism was reviewed in 2010 and since that time we have been fully compliant with CIPFA regulations. We also review our trading account annually and any surplus/deficit at the end of the financial year is transferred to/from the trading reserve. It is at this point that fees are reviewed to ensure they are sufficient to cover the cost of the service.</p> <p>Service budget performance is formally reported to members four times per year and is published as part of the budget monitoring report. Trading account performance was previously reported annually in line with regulation however has not been included since this ceased to be a requirement in 2019/20. Trading account information is held on file and is available if required.</p> <p>We recognise the important of our staff having had the relevant training to ensure compliance with regulation; all staff are kept up to date with financial training requirements.</p>
	<p>Local authorities should work with partners to make better use of limited resources by exploring the potential for collaboration and regionalisation to strengthen resilience through a cost benefit analysis of partnering with neighbouring authorities, establishing joint ventures and/or adopting a regional model where beneficial.</p>	<p>The Building Control team works closely with partners and stakeholders such as local police and fire services, Dŵr Cymru, local builders, engineers and manufacturers to ensure the best use of resources. We are also a part of the Gwent Public Service Board (PSB) which allows for wider, further discussion with local police and fire services, as well as engaging with local authorities through Local Authority Building Control (LABC) and LABC Cymru networks.</p>

		We are open to working with neighbouring councils and have expressed interest in experimental collaborative work at previous LABC meetings, however there was no interest at that time. If there was interest in a collaboration, the decision to do so would need to be informed by an assessment of the value it would bring to Monmouthshire County Council and its customers, and if it would be the best possible use of resources.
	Local authorities should review risk management processes to ensure that risks are systematically identified, recorded, assessed, mitigated and subject to regular evaluation and scrutiny.	<p>The council has a risk management policy and guidance that is used by service areas in assisting the practical application of risk management.</p> <p>Risks to building control, and the actions in place to mitigate them, are recorded and reviewed at least quarterly in the building control Service Business Plan. This includes both inherent risks such as health and safety, but also risks to the operating of business such as slow payments.</p>

Report	Springing Forward: Lessons from our work on workforce and assets in local government (September 2023)	
Outline of the Review	Between 2021 and 2023, Audit Wales undertook work on asset management and workforce planning across all 22 councils in Wales. A local report into asset management and workforce planning in Monmouthshire was published in August 2022, and presented to Governance and Audit Committee in September 2022 along with a management response to the recommendations contained within the report. Within their report, Audit Wales looked at how councils were using their experiences from the pandemic to strengthen their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities. The work was designed to assess both the effectiveness of councils' arrangements and the extent to which they were applying the sustainable development principle (as set out in the Well-being of Future Generations (Wales) Act 2015) in their approaches to workforce and assets. The full report can be found <a href="#">here</a> .	
Audit Wales Summary	<p>This report summarises Audit Wales' findings from across all 22 councils in Wales. They found that overall, councils do not appear to fully appreciate that the sustainable development principle is relevant to the design and delivery of assets and workforce. There are significant gains that could be made by applying this thinking when revising councils' strategies and delivery arrangements.</p> <p>Another common theme was that councils aren't effectively drawing on the breadth of intelligence that could help them manage the present or plan for the future. Some councils did not have a good understanding of current risks across their workforce, others did but could strengthen their understanding of the medium- and longer-term challenges that would impact them.</p> <p>A positive common theme across councils was that they recognise the benefit of linking their assets and workforce with the delivery of wider corporate objectives. Audit Wales found that there are likely to be opportunities to take this further and systematically consider the full</p>	

	<p>breadth of benefits that could be achieved, which will help councils to maximise the value of work in these areas. Applying the sustainable development principle will help them achieve this. Councils also appear to be missing the opportunity to work together to address common challenges, particularly relating to workforce.</p>
<p>Management Response</p>	<p>The council recognises the importance of embedding the sustainable development principle in all we do. Our high-level enabling strategies, including the asset management strategy and people (workforce) strategy, are currently being developed. This will allow us to reassess the risks we face within these service areas, ensure alignment with our Well-being Objectives, and set out strategic intent for the future. We will ensure that the sustainable development principle is considered in all aspects of our enabling strategies; an Integrated Impact Assessment will be done on the suite of 8 enabling strategies to assess how well the sustainable development goals and five ways of working have been considered.</p> <p>Our actions planned in response to the detailed recommendations in the local 'springing forward' review can be found on pages 5-7 of this report.</p>