



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2016-17 – Neath Port Talbot County Borough Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Samantha Clements under the direction of Jane Holownia.

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The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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# Summary report

## 2016-17 performance audit work

- 1 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including Neath Port Talbot County Borough Council's (the Council) own mechanisms for review and evaluation. For 2016-17, we undertook improvement assessment work at all councils under three themes: governance, use of resources, and improvement planning and reporting. At some councils, we supplemented this work with local risk-based audits, identified in the Audit Plan for 2016-17.
- 2 The work carried out since the last Annual Improvement Report (AIR), including that of the relevant regulators, is set out in [Exhibit 1](#).

## The Council is meeting its statutory requirements in relation to continuous improvement

- 3 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18.

## Recommendations and proposals for improvement

- 4 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection, and publish a report and make recommendations; and
  - recommend to ministers of the Welsh Government that they intervene in some way.
- 5 During the course of the year, the Auditor General did not make any formal recommendations. However, a number of proposals for improvement have been made and these are repeated in this report. We will monitor progress against them and relevant recommendations made in our national reports ([Appendix 3](#)) as part of our improvement assessment work.

## Audit, regulatory and inspection work reported during 2016-17

### Exhibit 1: audit, regulatory and inspection work reported during 2016-17

Description of the work carried out since the last AIR, including that of the relevant regulators, where relevant.

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Governance</b>			
June 2017	<p><b>Good governance when determining service changes</b></p> <p>Review of the Council's governance arrangements for determining service changes.</p>	<p><b>The Council's governance arrangements for significant service change are proportionate to their scale and complexity but evaluation of their impact is inconsistent:</b></p> <ul style="list-style-type: none"> <li>• decisions are guided by corporate priorities, informed by local needs and made within available resources;</li> <li>• the Council has a clear programme management approach to governing significant service change proposals but arrangements for lower risk proposals are less formalised;</li> <li>• the range of information provided to decision makers when determining service change proposals varies and does not always include details of alternative options;</li> <li>• the Council engages with stakeholders in an appropriate manner and scrutiny committees routinely provide challenge to service change proposals; and</li> <li>• the Council learns from its decision making processes but it is not clear how the impact of future service changes decisions will be evaluated.</li> </ul>	<p>P1 The Council should further develop guidance for officers to reinforce what is required in terms of conducting and reporting options appraisals on service change proposals and other information.</p> <p>P2 The Council should set out arrangements for monitoring the impact of service changes at the point of decision.</p> <p>P3 The Council should strengthen its systems to ensure monitoring reports requested by scrutiny committees are routinely provided.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Use of resources</b>			
November 2016	<p><b>Annual audit letter 2015-16</b></p> <p>Letter summarising the key messages arising from the Auditor General's statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Annual Audit Letter is in <a href="#">Appendix 2</a> of this report.</p>	<ul style="list-style-type: none"> <li>• The Council complied with its responsibilities relating to financial reporting and use of resources.</li> <li>• I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources although areas for further improvement have been identified.</li> <li>• My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems.</li> </ul>	None.

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Use of resources</b>			
March 2017	<p><b>Savings planning</b></p> <p>Review of the Council's financial savings arrangements, including how well it is delivering the required savings and whether it has robust approaches to plan, manage and deliver budget savings, at a pace that supports financial resilience.</p>	<p>Whilst the Council lacks indicative savings plans for future years it has a sound financial planning framework which supports future financial resilience</p> <ul style="list-style-type: none"> <li>• the Council has reported achievement of 99% of its planned 2015-16 savings in-year and can demonstrate that individual savings have been delivered;</li> <li>• the Council has sound financial planning arrangements and whilst it is developing a strategic approach to income generation it lacks indicative savings plans for future years; and</li> <li>• the Council forecasts that 88% of its 2016-17 planned savings will be achieved but delivery timescales for some savings plans are not realistic.</li> </ul>	<p>P1 Strengthen financial planning arrangements by developing longer term savings plans to cover the period of the MTFP.</p>



Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
July 2016	<b>Third Sector roles in supporting welfare reform advice.</b>	Access to welfare advice in Neath Port Talbot Borough varies and there are examples of duplication.	P1 The Council would benefit from investigating the extent of duplication and the potential to better align provision and improve coverage across the County Borough.
September 2016	<b>Developing Scrutiny: Member workshops June/ July 2016.</b>	<ul style="list-style-type: none"> <li>• Feedback from members about the sessions was positive and they generated some practical ideas for improvement that were supported by the majority of members who attended. Member suggestions could also contribute to member induction in the future.</li> <li>• Members were clear about the purpose of scrutiny and demonstrated a good understanding of their roles in driving improvements and in obtaining a detailed understanding of issues when appropriate.</li> </ul>	None.

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
October 2016	<b>Review of Corporate Risk Register</b>	<p>Progress has been made, the structure of the risk register and strategic risk management procedures are appropriate, but the corporate register is not detailed or clear enough to support effective risk management:</p> <ul style="list-style-type: none"> <li>• the rationale behind a risk rating is unclear;</li> <li>• there is not enough information to evaluate the likelihood and potential impact of financial risks;</li> <li>• the Council cannot assess the impact of its proposed mitigating actions without clear timescales or key milestones;</li> <li>• risk control methods are too unclear to assess whether the proposed control is appropriate for the nature of the risk; and</li> <li>• processes are not sufficiently clear to assure the Council that it has identified all significant risks.</li> </ul>	<p>P1 Establish clear procedures about how to identify, categorise and mitigate corporate risks by including more relevant detail within the Corporate Risk Register.</p> <p>P2 Ensure that mitigating actions have established timeframes, milestones and sufficient detail to allow effective scrutiny to take place.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Local risk-based performance audit</b>			
October 2016	<b>Review of Performance Management Arrangements in the Social Services, Health and Housing Directorate</b>	<p>The directorate is learning from improvements to performance management arrangements in children's services but needs to produce its business plans earlier and further strengthen arrangements in adult services</p> <ul style="list-style-type: none"> <li>• the directorate has a clear focus on improving services within budget reduction targets but there are delays in the production of the 2016-17 business plans;</li> <li>• performance review arrangements are in place across the directorate but performance measures are underdeveloped in key areas; and</li> <li>• the directorate has made improvements in children's services and is beginning to strengthen performance management arrangements in adult services.</li> </ul>	<p>P1 That the Social Services, Health and Housing Directorate in future years produce the business plans in readiness for sign off by the relevant Cabinet Member before the Council's Annual General Meeting in May.</p> <p>P2 That the Social Services, Health and Housing Directorate learn from the experience in children's services and continue to work to develop and agree a comprehensive suite of performance management information for the directorate that is visible and that actively assists the service in driving improvement.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
<b>Improvement planning and reporting</b>			
July 2016	<b>Wales Audit Office annual improvement plan audit</b> Review of the Council's published plans for delivering on improvement objectives.	The Council has complied with its statutory improvement planning duties.	None
November 2016	<b>Wales Audit Office annual assessment of performance audit</b> Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None
<b>Reviews by inspection and regulation bodies</b>			
No reviews by inspection and regulation bodies have taken place during the time period covered in this report.			

# Appendix 1

## Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake a forward-looking annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. Improvement authorities (defined as local councils, national parks, and fire and rescue authorities) have a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'.

The annual improvement assessment considers the likelihood that an authority will comply with its duty to make arrangements to secure continuous improvement. The assessment is also the main piece of work that enables the Auditor General to fulfil his duties. Staff of the Wales Audit Office, on behalf of the Auditor General, produce the annual improvement report. The report discharges the Auditor General's duties under section 24 of the Measure, by summarising his audit and assessment work in a published annual improvement report for each authority. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether (as a result of his improvement plan audit under section 17) he believes that the authority has discharged its improvement planning duties under section 15.

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

# Appendix 2

## Annual Audit Letter

Councillor A H Thomas  
Leader  
Neath Port Talbot County Borough Council  
Civic Centre  
Port Talbot  
SA13 1PJ

**Reference:** 640A2016

**Date issued:** 24 November 2016

Dear Councillor Thomas

### Annual Audit Letter – Neath Port Talbot County Borough Council 2015-16

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

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

It is Neath Port Talbot County Borough Council (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 28 September 2016 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 in my Audit of Financial Statements report on 23 September 2016.

Overall, the Council was found to have continued to refine and improve its accounts production process and produced the accounts well in advance of the deadline. However, as in previous years, a number of issues were still identified within the capital accounts and there remains scope to improve the capital closure processes. These were corrected in the certified statements and officers have undertaken to ensure these issues do not re-occur in future years. We will continue to work with officers this year to refine the accounts production process and address the capital accounting issues.

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources although areas for further improvement have been identified**

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed under the Local Government (Wales) Measure 2009. The Auditor General published his Annual Improvement Report in June 2016 and concluded that the Council had continued to improve in its priority areas, financial management was sound and its arrangements were likely to support future progress.

## **My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2016-17 accounts or key financial systems**

My audit work on the certification of the Council's grant claims and returns has now begun. The Council is one of two sites piloting a new 'outcomes' approach to the certification of Welsh Government grants. This pilot takes account of how the Welsh Government and the Auditor General for Wales wish to improve the value and impact of certification work and aims to test the feasibility of moving audit work away from transaction testing towards consideration of the activities to be delivered by the funding.

My work to date has not identified any issues that would impact on the 2016-17 accounts or key financial systems. A more detailed report on my grant certification work will follow once this year's programme of certification work is complete.

The financial audit fee was in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely

**Richard Harries**

**For and on behalf of the Auditor General for Wales**



# Appendix 3

## National report recommendations 2016-17

### Exhibit 2: national report recommendations 2016-17

Summary of proposals for improvement relevant to local government, included in national reports published by the Wales Audit Office, since publication of the last AIR.

Date of report	Title of review	Recommendation
August 2016	<a href="#">Financial Resilience of Local Authorities in Wales 2015-16</a>	<p>In our report of 2014-15 (<b>The Financial Resilience of Councils in Wales</b>, April 2015) we made a number of recommendations for local authorities. Many of these recommendations remained relevant and required further work from authorities to address them during 2016-17. In addition, we also made the following recommendations based on our more recent review:</p> <p>R1 Local authorities should strengthen their financial-planning arrangements by:</p> <ul style="list-style-type: none"> <li>• developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans;</li> <li>• aligning other key strategies such as workforce and asset management plans with the MTFP;</li> <li>• developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget;</li> <li>• categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and</li> <li>• ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned.</li> </ul> <p>R2 Local authorities should develop corporate income generation and charging policies.</p> <p>R3 Local authorities should ensure that they have a comprehensive reserves strategy, which outlines the specific purpose of accumulated useable reserves and the impact and use of these in the MTFP.</p> <p>R4 Local authorities should develop key performance indicators to monitor the MTFP.</p> <p>R5 Local authorities should ensure that savings plans are sufficiently detailed to ensure that members are clear as to what the plans are intended to deliver and that the delivery of those plans can be scrutinised appropriately throughout the year.</p> <p>R6 Local authorities should ensure that corporate capacity and capability are at a level that can effectively support the delivery of savings plans in the MTFP at the pace required.</p>

Date of report	Title of review	Recommendation
October 2016	<a href="#">Community Safety in Wales</a>	<p>The seven recommendations within this report required individual and collective action from a range of stakeholders – the Welsh Government, Home Office Wales Team, police and crime commissioners, public service board members and local authorities:</p> <p>R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.</p> <p>R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of the Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.</p> <p>R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.</p> <p>R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focuses on delivering the priorities of the national community-safety strategy.</p> <p>R5 Ensure effective management of performance of community safety by:</p> <ul style="list-style-type: none"> <li>• setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services;</li> <li>• ensuring performance information covers the work of all relevant agencies; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny.</li> </ul> <p>R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.</p> <p>R7 Improve engagement and communication with citizens through public service boards in:</p> <ul style="list-style-type: none"> <li>• developing plans and priorities for community safety;</li> <li>• agreeing priorities for action; and</li> <li>• reporting performance and evaluating impact.</li> </ul>

Date of report	Title of review	Recommendation
November 2016	<a href="#">Charging for Services and Generating Income by Local Authorities</a>	<p>This report made eight recommendations, of which six required action from local authorities. <b>Recommendations R4 and R6</b> required action from the Welsh Government and Welsh Local Government Association:</p> <p>R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the MTFP and the Corporate Plan.</p> <p>R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.</p> <p>R3 Use the impact assessment checklist whenever changes to charges are considered.</p> <p>R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.</p> <p>R7 Improve management of performance, governance and accountability by:</p> <ul style="list-style-type: none"> <li>• regularly reporting any changes to charges to scrutiny committee(s);</li> <li>• improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;</li> <li>• benchmarking and comparing performance with others more rigorously; and</li> <li>• providing elected members with more comprehensive information to facilitate robust decision making.</li> </ul> <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>
January 2017	<a href="#">Local Authority Funding of Third Sector Services</a>	<p>This report made three recommendations, of which two required action from local authorities. Recommendation R3 required action from the Welsh Government:</p> <p>R1 To get the best from funding decisions, local authorities and third-sector bodies need to ensure they have the right arrangements and systems in place to support their work with the third sector. To assist local authorities and third-sector bodies in developing their working practices, we recommend that local-authority and third-sector officers use the <a href="#">Checklist for local authorities effectively engaging and working with the third sector</a> to:</p> <ul style="list-style-type: none"> <li>• self-evaluate current third-sector engagement, management, performance and practice;</li> <li>• identify where improvements in joint working are required; and</li> <li>• jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation.</li> </ul> <p>R2 Poor performance management arrangements are weakening accountability and limiting effective scrutiny of third-sector activity and performance. To strengthen oversight of the third sector, we recommend that elected members scrutinise the review checklist completed by officers, and regularly challenge performance by officers and the local authority in addressing gaps and weaknesses.</p>

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