



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Annual Improvement Report: 2016-17 – **Flintshire County Council**

Audit year: 2016-17

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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.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Paul Goodlad and Jeremy Evans under the direction of Huw Rees.

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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 Flintshire County 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
Governance			
May 2017	<p>Good governance when determining service changes</p> <p>Review of the Council's governance arrangements for determining service changes.</p>	<p>The Council's governance arrangements for determining significant service change are generally effective with some opportunities to further strengthen its approach.</p> <p>We came to this conclusion because:</p> <ul style="list-style-type: none"> • the Council has a clear vision and strategic approach for determining service change; • governance and accountability arrangements for service change decision-making processes are clear, comprehensive and well-understood; • options appraisals relating to service change are robust, transparent and wide-ranging; • the Council has effective arrangements to engage with, and inform, stakeholders about 	<p>The Council's governance arrangements could be strengthened by:</p> <p>P1 Clearly defining the role of Scrutiny Committees in reviewing the impact of individual service changes, and by encouraging committees to reflect this role in their Forward Work Plans</p> <p>P2 Ensuring that Equality Impact Assessments associated with service change are of a consistently high quality.</p>

Issue date	Brief description	Conclusions	Proposals for improvement
		<p>service change proposals, their potential implications and the processes involved in reaching a decision;</p> <ul style="list-style-type: none"> • corporate arrangements for monitoring the impact of service change are generally clear, but there is scope to clarify the role of scrutiny; and • the Council continues to review and refine its governance and decision-making arrangements and responds positively to external audit feedback. 	<p>P3 Ensuring that internal reviews of its governance arrangements – such as the Annual Governance Statement – explicitly consider governance in relation to decisions about service change.</p>
Use of resources			
November 2016	<p>Annual audit letter 2015-16</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 Appendix 2 of this report.</p>	<p>The Council complied with its responsibilities relating to financial reporting and use of resources</p> <ul style="list-style-type: none"> • the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and • 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. 	None

Issue date	Brief description	Conclusions	Proposals for improvement
January 2017	<p>Savings planning 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>The Council has a sound financial planning framework and it continues to strengthen its financial planning to better support future financial resilience.</p> <p>We came to this conclusion because:</p> <p>Savings achievement 2015-16</p> <ul style="list-style-type: none"> the Council has reported achievement of 83% of its planned 2015-16 savings in year and can demonstrate that individual savings have been delivered. <p>Financial planning arrangements</p> <ul style="list-style-type: none"> the Council has an effective corporate framework for financial planning and plans to lengthen the term of the MTFS to five years to address the current lack of indicative plans for future years. <p>Savings Plan 2016-17</p> <ul style="list-style-type: none"> the Council forecasts that it will achieve 90% of its 2016-17 revised planned savings but some of its savings proposals are not sufficiently well developed when the budget is approved. 	<p>P1 Strengthen financial planning arrangements by ensuring that all savings proposals are sufficiently developed before the start of the financial year in which they are to be implemented.</p>
Local risk-based performance audit			

Issue date	Brief description	Conclusions	Proposals for improvement
August 2017	<p>Corporate Assessment Follow-up</p> <p>Review of the actions taken by the Council in response to proposals for improvement in the 2015 corporate assessment report</p>	<p>The Council continues to make progress in addressing the 2015 corporate assessment proposals for improvement:</p> <ul style="list-style-type: none"> • the Council is promoting staff ownership of key objectives which will be supported by a new integrated approach to business planning in 2017-18; • corporate strategies are well aligned and the Council has implemented its revised asset management strategy, but progress on the new people and digital strategies has been slower than planned; • the Council is improving its risk management processes but work to align project and savings plan risks to the Council's revised risk matrix has been delayed; and • workforce planning is a key element of the Council's new people strategy and although work is underway to develop workforce plans, it is too early to assess their impact. 	<p>There are no additional proposals for improvement resulting from the follow-up audit. However, we expect the Council to continue making progress against the original proposals.</p>
August 2017	<p>Review of the effectiveness of the Council's efficiency savings programme</p>	<p>Arrangements for planning and monitoring efficiency savings are effective, but arrangements for evaluating non-financial impact and for sharing post-project learning are under-developed:</p>	<p>There are no additional proposals for improvement resulting from the follow-up audit. However, we expect the Council to continue making</p>

Issue date	Brief description	Conclusions	Proposals for improvement
	An analysis of the Council's arrangements for planning, monitoring, evaluating and reporting outcomes from its efficiency savings programme.	<ul style="list-style-type: none"> • the Council has effective arrangements for planning and monitoring the financial impact of its efficiency savings programme; • Arrangements for evaluating the non-financial impact of efficiency initiatives are not systematic, but are being strengthened; and • Arrangements for capturing and sharing post-project learning are under-developed. 	progress against the original proposals
Improvement planning and reporting			
July 2016	Wales Audit Office annual improvement plan audit 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	Wales Audit Office annual assessment of performance audit Review of the Council's published performance assessment.	The Council has complied with its statutory improvement reporting duties.	None
Reviews by inspection and regulation bodies			

Issue date	Brief description	Conclusions	Proposals for improvement
No reviews by inspection and regulation bodies have taken place during the time period covered by 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

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Councillor Aaron Shotton – Leader
Colin Everett – Chief Executive
Flintshire County Council
County Hall
Mold
Flintshire
CH7 6NB

Reference: 644A2016

Date issued: 29 November 2016

Dear Aaron and Colin

Annual Audit Letter – Flintshire County 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 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.

I issued an unqualified audit opinion on the financial statements confirming they present a true and fair view of the Council's financial position and transactions on 29 September 2016. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were:

- It was pleasing to note that the Council had been proactive in addressing the issues identified during the 2014-15 audit. The improvements were overseen by a newly established Accounts Governance Group. We would encourage this Group to continue to support the Finance team in future challenges such as changes in accounting for Highway Network assets and the requirement for financial statements to be produced earlier in future years.
- The valuation method adopted in revaluing the Council's housing stock was flawed and resulted in restatement.
- The Council needs to accelerate its investigations into the potential liabilities arising from a number of former waste disposal sites to ensure that it can appropriately recognise any financial liabilities as an accounting provision in its financial statements and address any funding issues from a budgetary perspective.

These were reported in detail to members of the Council in my Audit of Financial Statements report on 26 September 2016.

In the near future, we will be holding a joint Post Project Learning exercise with Council finance officers to identify areas where we can both learn from this year, and make improvements for the future. We will hold regular meetings to take any issues forward and to start preparations for future challenges as referred to above.

It is also worth noting, the Council lead on the preparation of the accounts for the North Wales Residual Waste Joint Committee. On 29 September 2016, I confirmed that the information contained in its annual return was in accordance with proper practices.

I issued a certificate confirming that both the audits of the accounts have been completed on 29 September 2016.

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

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

We will also shortly be issuing a report on the council's financial resilience which will consider whether the council's financial savings planning arrangements support financial resilience.

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.

My ongoing work on the certification of grants claims and returns has not identified any significant issues to date in relation to the accounts or the Council's key financial systems. A more detailed report on my grant certification work will follow in the spring 2017 once this year's programme of certification work is complete.

The financial audit fee for 2015-16 is currently expected to be in line with the agreed fee set out in the Annual Audit Plan.

Yours sincerely

A handwritten signature in black ink, appearing to be 'J. Herniman', written in a cursive style.

John Herniman
Engagement Director
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 text for Appendix 2 '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	<u>Financial Resilience of Local Authorities in Wales 2015-16</u>	<p>In our report of 2014-15 (The Financial Resilience of Councils in Wales, 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">• developing more explicit links between the Medium Term Financial Plan (MTFP) and its corporate priorities and service plans;• aligning other key strategies such as workforce and asset management plans with the MTFP;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • developing comprehensive multi-year fully costed savings plans which underpin and cover the period of the MTFP, not just the forthcoming annual budget; • categorising savings proposals so that the shift from traditional-type savings to transformational savings can be monitored over the period of the MTFP; and • ensuring timescales for the delivery of specific savings proposals are realistic and accountability for delivery is properly assigned. <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>

Date of report	Title of review	Recommendation
		<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>
October 2016	<u>Community Safety in Wales</u>	<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 coordinate 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>

Date of report	Title of review	Recommendation
		<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"> • setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services; • ensuring performance information covers the work of all relevant agencies; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny. <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"> • developing plans and priorities for community safety;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • agreeing priorities for action; and • reporting performance and evaluating impact.
November 2016	<p><u>Charging for Services and Generating Income by Local Authorities</u></p>	<p>This report made eight recommendations, of which six required action from local authorities. Recommendations R4 and R6 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 Medium Term Financial Plan 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"> • regularly reporting any changes to charges to scrutiny committee(s);

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision making. <p>R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.</p>
January 2017	<p><u>Local Authority Funding of Third Sector Services</u></p>	<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 <u>Checklist for local authorities effectively engaging and working with the third sector</u> to:</p> <ul style="list-style-type: none"> • self-evaluate current third sector engagement, management, performance and practice;

Date of report	Title of review	Recommendation
		<ul style="list-style-type: none"> • identify where improvements in joint working is required; and • jointly draft and implement an action plan to address the gaps and weaknesses identified through the self-evaluation. <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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