

Assurance and Risk Assessment Review – Blaenau Gwent County Borough Council

Audit year: 2021-22

Date issued: November 2022

Document reference: 3256A2022

This document has been prepared as part of work performed in accordance with Section 17 of the Public Audit (Wales) Act 2004 and Section 15 of the Well-being of Future Generations (Wales) Act 2015.

No responsibility is taken by the Auditor General or the staff of Audit Wales in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at info.officer@audit.wales.

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.

Contents

What we reviewed and why	4
Financial position	6
Implications of the Local Government and Elections (Wales) Act 2021	10
Carbon reduction plan	11

What we reviewed and why

- 1 We undertook this project to identify the level of audit assurance and/or where further audit work may be required in future years, in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. This project also helped us to assess the extent to which the Council is applying the sustainable development principle in taking steps to meet its well-being objectives.
- 2 This report summarises our findings in the areas where we have undertaken more detailed Assurance and Risk Assessment work. We will also produce an Annual Audit Summary in the autumn of 2022 that will summarise all of our audit work undertaken since our last Annual Audit Summary in January 2022.
- 3 We focused in particular on the following areas at the Council:
 - Financial position
 - Implications of the Local Government and Elections (Wales) Act 2021
 - Carbon reduction plan
- 4 Our evidence base for this work included interviews with senior officers and review of relevant documents.
- 5 The Assurance and Risk Assessment project has been ongoing throughout the year. We held a workshop with Corporate Leadership Team in May 2022 at which we shared emerging findings in relation to some aspects of this work. We also used the workshop to gather the perspectives of senior managers on the key audit risks in relation to the Council and to inform our forward planning.

Recommendations

Exhibit 1: recommendations

The table below sets out the recommendations that we have identified following this review.

- | | |
|----|---|
| R1 | <p>The Council should ensure that the high-level actions in its Decarbonisation Plan (Readiness Assessment) are:</p> <ul style="list-style-type: none">• prioritised based on clear criteria, including carbon and financial impact;• aligned with its Medium Term Financial Strategy and Capital Programme; and• integrated into business plans. |
| R2 | <p>The Council should develop a robust set of metrics to measure and report progress on its decarbonisation journey.</p> |

Financial position

Additional Welsh Government funding and improved financial planning and management have strengthened the Council's position, but planning for financial resilience will be increasingly challenging during this period of significant economic uncertainty

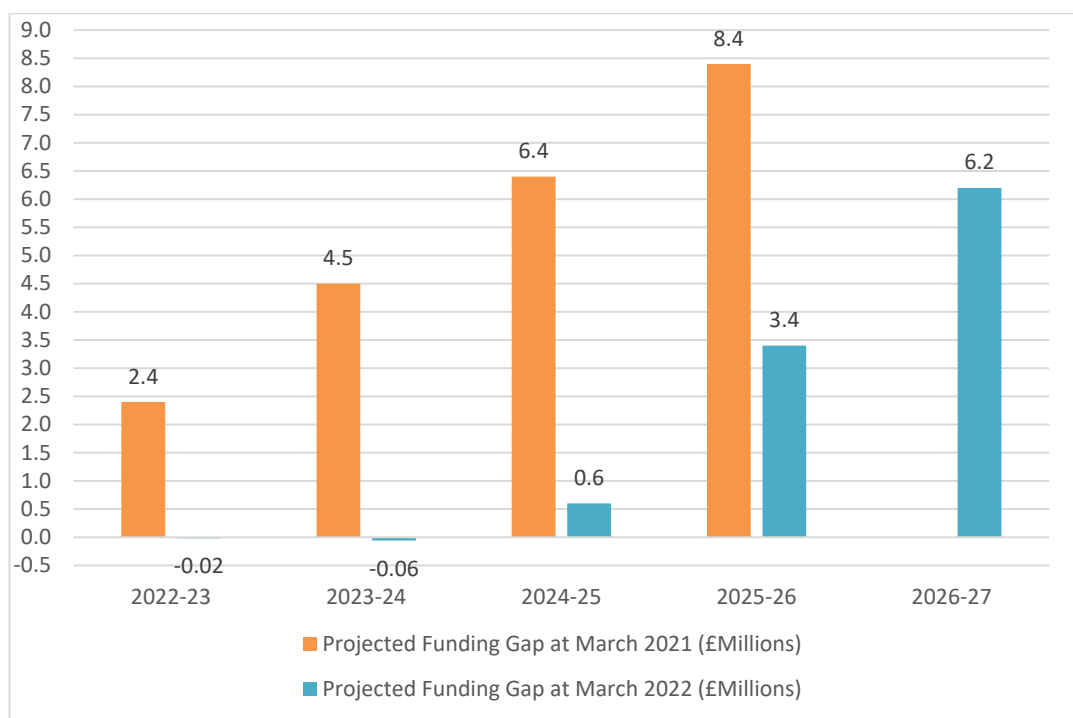
- 6 We reviewed the Council's financial position as at the end of March 2022. This included consideration of the Council's financial reserves position, the delivery of planned savings and performance against the planned budget for the year.
- 7 We also published a [Local Government Financial Sustainability Data tool](#) in February 2022 which includes a range of financial data for councils, national parks, and fire and rescue authorities in Wales.

Financial strategy

- 8 Our previous work on financial sustainability found that the Council was developing a more sustainable approach to financial planning but that there was scope to:
 - improve the accuracy of future cost pressure forecasts in the MTFS; and
 - further develop the Bridging the Gap programme to close the budget gap over the full period of the MTFS.
- 9 Since then, the Council has revised its future cost pressure estimates to reflect recent cost pressure trends more accurately. It also regularly reviews its Bridging the Gap programme so that forecast savings in the MTFS reflect the latest position. This has been particularly important over the last two years as the pandemic has affected the Council's ability to take forward some of its income generation initiatives.
- 10 Members approved an updated MTFS in November 2021. The strategy was also updated as part of the budget proposals to reflect Welsh Government settlement figures, the latest position on cost pressures and growth areas, and ongoing COVID-19-related costs which will no longer be covered by the Hardship Fund.
- 11 The Council's projected future budget gap reduced over the course of 2021-22. **Exhibit 1** shows the Council expects a budget surplus in the first two years of the current MTFS, but a combined deficit of £10.2 million in the last three years. This improved position reflects the indicative settlements due from the Welsh Government in future years of the Strategy and forecast Bridging the Gap savings of £6.7 million over the term of the MTFS.

Exhibit 1: the Council’s total projected medium-term funding gap is £10.2 million – £11.5 million lower than last year’s forecast

This graph shows the medium-term funding gap identified by the Council in March 2021¹ and March 2022². Negative figures denote a surplus, positive figures denote a funding gap.



- 12 The Welsh Government’s indicative funding settlements on an all-Wales average basis of 3.5% and 2.4% respectively for 2023-24 and 2024-25 provide a degree of funding certainty over the medium term. However, medium-term financial planning will continue to rely on a range of assumptions, and when coupled with the changing socio-economic landscape in this period of significant economic uncertainty, planning for financial resilience and future budget rounds will continue to be challenging for councils.
- 13 The next MTFS is therefore likely to forecast a larger medium-term funding gap, given the impact of higher than expected inflation and interest rates. We also found that some Council strategies are not fully costed at the time they are agreed and so the full cost of delivering them is not recognised in the MTFS. This means the

¹ Source: Revenue Budget report for 2021-22 presented to the Council in March 2021.

² Source: Revised MTFS forecast (internal document) dated March 2022 following the Council’s decision not to increase council tax as part of the 2022-23 budget.

resource requirements set out in the MTFS are understated. The Council should consider the benefits of calculating indicative costs when developing its strategies.

Usable reserves

- 14 The Council is continuing to increase its usable reserves and has maintained its MTFS commitment to allocate £200,000 per year to the general fund. This has led to a steadily improving position. **Exhibit 2** shows that when considered as a percentage of the net cost of services, the Council's levels of usable reserves have improved from lowest position in Wales to 15th over the last five years.

Exhibit 2: amount of reserves versus annual budget

This exhibit shows the amount of usable reserves the Council had at the end of 2021-22 and the previous five years as a proportion of the net cost of the services the Council delivers³.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total usable reserves in £ millions ⁴	12.9	10.6	12.7	14.7	28.3	45.3
Net cost of services ⁵	146.2	147.1	146.3	148.2	146.1	149.8
Total usable reserves as a percentage of the net cost of services	8.8%	7.2%	8.7%	9.9%	19.4%	30.2%
Comparison with the other councils of Wales	22nd	22nd	21st	17th	15th	Not yet available

- 15 Usable reserves increased by a further £16.9 million at the end of 2021-22, including new reserves to support financial resilience and help address the impact of inflationary and service cost pressures. This increase resulted from an £8.5 million underspend against budget and additional unhyphenated grants received from the Welsh Government.
- 16 Members receive regular updates on the reserves position and approve decisions on how to use or add to reserves.

³ Source: 2016-17–2020-21: Audit Wales [financial sustainability data tool](#); 2021-22: Council's draft statement of accounts (unaudited figures).

⁴ By usable reserves we mean the total general fund balance, together with earmarked reserves that councils are not legally prevented from redirecting to use for another purpose.

⁵ Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

Savings delivery

- 17 We previously found that the Council had a good track record of delivering planned savings and it has been shifting its approach to identify more sustainable long-term savings and budget reductions through its Bridging the Gap programme.
- 18 Between 2017-18 and 2019-20, the Council achieved between 91% and 98% of its planned savings. In 2020-21, this fell to 80% due to COVID as several income generation initiatives could not be taken forward.
- 19 For 2021-22, the Council estimated its Bridging the Gap programme would generate savings of £755,000. Actual savings were £948,000. The increase was due to higher than expected rental income on industrial units and a rates rebate following an appeal of rateable values of the Council's property and assets.

Performance against budget

- 20 We have previously reported that the Council's overall performance against budget is improving. Strengthened financial management arrangements have helped reduce overspends, although areas of overspends and uncontained cost pressures still occur.
- 21 There are examples of the Council successfully taking steps to address some of these overspends. For example, a significant overspend in recent years relates to external legal fees for looked after children because of difficulties recruiting and retaining specialist in-house legal staff. Since April 2022, Caerphilly Council has been providing this legal service. The collaborative arrangement provides a more cost-effective solution and is expected to prevent the overspends seen in recent years.
- 22 Other areas with ongoing overspends in 2021-22 include out of county placements for pupils with special educational needs and waste services.
- 23 For 2021-22, the Council reported a year-end surplus of £8.5 million against budget. Most directorates came in under budget, due in part to additional grant funding and unfilled vacancies caused by recruitment and retention challenges. The Education and Leisure directorate overspent by £0.07 million, largely due to out of county placement costs and temporary staffing arrangements to cover COVID and maternity absences in schools.
- 24 In recent years, the Council has used year-end underspends to increase its reserves levels and strengthen its financial sustainability. As part of the 2021-22 budget setting process, the Council again agreed to transfer any year-end surplus to an earmarked reserve to support medium-term financial planning.

Implications of the Local Government and Elections (Wales) Act 2021

The Council is putting in place arrangements in response to the Local Government and Elections (Wales) Act 2021 but recognises the need to further develop its approach to self-assessment and public engagement

- 25 We undertook our assessment of the Council's progress in responding to key requirements in the Local Government and Elections (Wales) Act 2021 between November 2021 and July 2022. The evidence was gathered through interviews and document reviews and also drew on relevant findings from our other ongoing work at the Council. Our work looked at the arrangements the Council is putting in place in responding to the Local Government and Elections and (Wales) Act 2021.
- 26 The Council understands what it needs to do to meet the requirements of the Act and has developed an action plan in response.
- 27 The Act requires councils to keep performance under review, and consult and report on performance through a self-assessment. Councils must publish a self-assessment of their performance for each financial year.
- 28 The Council intends to report the output from its self-assessment to the Council in October 2022. The Council is reviewing its self-assessment arrangements and drafting a broader approach to ensure that it meets the requirements of the Act. This process has been informed by WLGA workshops. The Council expects to continue to revise and refine its self-assessment process. It recognises that more work is required, in particular to meet the requirements of the consultation duty and aims to build on existing engagement arrangements to do so including use of its Citizen's Panel.
- 29 The Council is in the early stages of developing its participation strategy. The strategy will cover both internal and external engagement and participation, ie with staff and members as well as the public and stakeholders. The Council has arrangements in place for engaging with staff and trades unions. The Council recognises the need to ensure all key stakeholders have the opportunity to be involved and understands that further work is needed to effectively engage with the business sector. Recent engagement with businesses by the Council's Regeneration department provides a platform to build on and the Council has several channels for engaging with local businesses.
- 30 The Council has established a Governance and Audit Committee as required by the Act and has run induction sessions for committee members. It is also reviewing the role descriptions and work programmes of committees to ensure they align with the requirements of the Act. The Council has made some further minor changes to its Constitution and plans to consider any further changes through its constitutional

working group following the production of a model constitution template by the WLGA.

Carbon reduction plan

Context

- 31 In July 2022, the Auditor General published [Public Sector Readiness for Net Zero Carbon by 2030](#), which looked at decarbonisation actions in 48 public bodies, including all councils. This report found uncertainty that the collective ambition for a net zero public sector by 2030 will be met. Our work identified significant, common barriers to progress that public bodies must collectively address to meet the collective ambition. We found that while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions.
- 32 In the report, the Auditor General makes the following five calls for action from public bodies:
- strengthen your leadership and demonstrate your collective responsibility through effective collaboration;
 - clarify your strategic direction and increase your pace of implementation;
 - get to grips with the finances you need;
 - know your skills gaps and increase your capacity; and
 - improve data quality and monitoring to support your decision making.
- 33 We undertook an assessment of the Council's arrangements to develop and deliver its Decarbonisation Plan between June and August 2022. Our work included a focus on the clarity of the Council's vision, partnership working and prevention as well as monitoring and reviewing progress. We gathered evidence through interviews, document reviews and the Council's returned Call for Evidence for the Decarbonisation Baseline Review.
- 34 The following paragraphs set out the findings of our local audit work on the Council's decarbonisation action plan. These findings sit within the wider context of the Auditor General's July 2022 report that calls for increased pace and stronger leadership across Wales in reducing carbon emissions.

The Council has mapped its carbon footprint and has a clear vision and set of actions for its decarbonisation ambition, but does not fully understand the carbon impacts of these actions and how they will be funded

- 35 Decarbonisation has a strategic profile within the Council and in September 2020 it unanimously resolved to declare a climate emergency. The Council set a clear ambition to be carbon neutral by 2030 in its Decarbonisation Plan 2020-2030. It also has a carbon neutral ambition as one of the key outcome priorities within its current Corporate Plan. The Council has also recently committed to consider its approach to developing its plan for net zero 2050 and is currently considering the most appropriate methodologies to support this.
- 36 The Council has a well-developed understanding of its carbon footprint supported by some early work with Natural Resources Wales (NRW) through the Carbon Positive Project. The Council has also undertaken five Readiness Assessments, adapting the Place-based Climate Action Network assessments developed for the Leeds Climate Commission, in transition areas such as transportation, nature-based solutions and buildings. Whilst it is recognised that the Readiness Assessments only represent part of the journey to net zero, they contain granular emissions data and provide an overview of both challenges and opportunities for decarbonisation. Each Readiness Assessment concludes with several High-Level Actions which have formed the basis for the Council's decarbonisation journey. In some transition areas such as nature-based solution and procurement, information and data need to be further improved. Further work is also needed to ensure that the High-Level Actions are brought together under one comprehensive plan and prioritised based on criteria such as their carbon and financial impact.
- 37 The Council has several governance structures that provide oversight of its decarbonisation journey, such as the former Decarbonisation Board. This Board will shortly be replaced by a new Core Climate Group with senior officer and councillor representation. The Corporate Leadership Team (CLT) has an oversight role and has challenged the five Readiness Assessments and approved the High-level Action Plans contained within them. The Council's Regeneration Scrutiny committee provided oversight of the Decarbonisation Plan prior to May 2022. Under the current committee structure, this role falls to the Places Scrutiny Committee. Updates to the Plan have also been discussed at Council and the Executive Committee. Monitoring of progress around decarbonisation and in particular the High Level Actions is being integrated into Service Business Plans and will then be monitored through the existing performance management arrangements. Other than what has been reported in the Council's Decarbonisation Plan, there appears to be little public reporting of progress around decarbonisation. The Council plans to develop a decarbonisation performance dashboard – this

provides an opportunity to develop a set of metrics that can be used to measure and demonstrate progress.

- 38 The Council is working collaboratively to support the delivery of its decarbonisation targets, with a particular focus on developing a county-borough-wide response to climate change through local partnership arrangements tied to the Gwent Public Service Board (PSB). These arrangements established a Climate Change Mitigation Steering Group to consider territorial emission issues for the Blaenau Gwent area. Examples of this collaborative approach include work with PSB partners to hold the Blaenau Gwent Climate Assembly, the first climate assembly in Wales, which took place online in March 2021. This included 44 demographically representative Blaenau Gwent residents and produced five official recommendations. Further work to maintain progress on these five recommendations is currently underway. Other examples of collaborative working include pilot Local Area Energy Plan work with the Welsh Government Energy Service. Whilst this pilot is at an early stage of development, the work has the potential to make a significant contribution to the development of the wider regional decarbonisation plan for Gwent.
- 39 The Council has identified its investments in decarbonisation initiatives, for example £4 million invested in lighting, heating, controls and building integrated renewables across 20 of its properties. However, achieving its net zero ambition will have implications for its budget in the short and longer term. The Council has yet to identify and allocate sufficient resources to deliver the projects/initiatives within its High Level Actions plans. The proposed requirement for all future reports for decision to include a carbon and cost impact should provide better information for decision making. However, whilst the readiness assessment process should enable the Council to have a better understanding of the financial impact of its actions, work on defining these costs is still at an early stage and still need to be built into its Medium Term Financial Strategy and Capital Programme. We understand the challenges of assessing the financial cost and carbon impact of decarbonisation actions, but this data will be key to prioritising actions that deliver the greatest returns and understanding funding requirements.



Audit Wales

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.