



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2015-16

Newport City Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Allison Rees, Non Jenkins and Sara-Jane Byrne under the direction of Alan Morris.

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Summary report

About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Newport City Council (the Council) since the last such report was published in October 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); Her Majesty's Inspectorate of Probation (HMI Probation) and the Welsh Language Commissioner (the Commissioner). Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@audit.wales or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

2015-16 performance audit work

- 5 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office: Financial Resilience Assessment	Review of the Council's financial position and how it is budgeting and delivering on required savings.
Wales Audit Office: Annual 'Improvement Plan' Audit	Review of the Council's published plan for delivering on improvement objectives in line with the requirements of the Measure.
Wales Audit Office: Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment, in line with the requirements of the Measure.
Wales Audit Office: Waste Management Review	Review of Council arrangements to improve and sustain its waste and recycling performance in line with Welsh Government targets.
Wales Audit Office: Follow-up work	Review of progress in addressing the Corporate Assessment, and Corporate Assessment follow-on recommendations.
Wales Audit Office: Data Quality Review	Review of a sample of six of the Council's performance indicators and supporting data collection, recording, and reporting arrangements.
Wales Audit Office: Gwent Frailty Programme	A review of the Gwent Frailty Programme to assess whether the Programme had delivered improvements in line with individual organisations' expectations.
Estyn: Evaluation of schools performance	A review of performance across a range of areas within schools in the Council.
CSSIW: Annual Review and Evaluation of Performance	An evaluation of the Council's performance in delivering its social services functions.
HMI Probation: Joint reinspection	Full Joint Reinspection of Youth Offending Work in Newport.
Welsh Language Commissioner: Review of the Council's Welsh Language Scheme	Assessment of the effectiveness of the Scheme in providing Council services to the public in Welsh.

Project name	Brief description
Wales Audit Office: National reports	<ul style="list-style-type: none"> • Community Safety Partnerships (to be published) • Income generation and charging (to be published) • Council funding of third sector services (to be published) • The financial resilience of councils in Wales (published April 2015) • Achieving improvement in support to schools through regional education consortia – an early review (published June 2015) • Review of Corporate Safeguarding arrangements in Welsh Councils (published July 2015) • Supporting the Independence of Older people: Are Councils Doing Enough? (published October 2015) • Delivering Less – Leisure Services (published December 2015)

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 Measure during 2016-17 if it continues to address its areas for improvement

- 6 This conclusion is based on the work undertaken throughout 2015-16, but needs to look forward to the challenges facing the Council for 2016-17. The conclusion should be framed to reflect our level of confidence that the Council will make adequate arrangements to secure continuous improvement (ie, meet its statutory duty).
- 7 The Auditor General has reached this conclusion because:
- a The Council complied with its improvement planning and reporting duties under the Measure.
 - b Whilst the Council had prioritised increasing recycling, its waste management had not been sufficiently strategic and it had not used its governance and performance management arrangements effectively to drive improvement, although it was now taking steps to address this.

- c The Council had addressed our statutory recommendation and was continuing to improve its data quality arrangements. However, there were still weaknesses in these arrangements, which needed to be addressed to ensure that its published performance data was accurate.
- d CSSIW reported that the Council continued to face significant challenges in transforming its services in readiness for the implementation of the Social Services and Wellbeing (Wales) Act (SSWBW Act) during a period of budgetary constraint.
- e Newport Youth Offending Service had got better at helping children and young people turn away from crime, but still had work to do.
- f The Council had strengthened its financial arrangements, but more work was required to deliver a balanced medium-term financial plan and to improve the clarity of financial information reported to members.
- g The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions.
- h The Council had made progress against all the recommendations made in our Corporate Assessment follow-up report, but some further work remained to ensure these were addressed fully.
- i The Gwent Frailty Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme.

Recommendations

- 8 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:
- a 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;
 - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;
 - c conduct a special inspection, and publish a report and make recommendations; and
 - d recommend to Ministers of the Welsh Government that they intervene in some way.

- 9 During the course of the year, the Auditor General did not make any formal recommendations.
- 10 We have also identified some lower-priority issues, known as proposals for improvement, in our corporate assessment progress review, financial resilience, waste, and data quality review reports, which may be referred to later on in this report. We will continue to monitor proposals for improvement during the course of our improvement assessment work.
- 11 Recommendations and Areas for Improvement (AFI) made by CSSIW and HMI Probation during the course of the year are set out below.

CSSIW's Annual review and evaluation of performance 2014-15

AFI1

- Effective implementation of action plan submitted in response to CSSIW's adult services inspection report.
- Effective implementation of any re-tendering of domiciliary care planned for 2015-16, which provides an opportunity to re-shape services, focussing on improving outcomes for users.
- Address the continuing high sickness rates amongst the adult social care workforce.

AFI2

- Effective implementation of Youth Offending Service (YOS) action plan.
- Quality of care management and planning to inform residential placements and matching for looked after children with more complex needs.
- Investigate reasons for persistently high levels on child protection register, and deteriorating timeliness of core group meetings, and take action to remedy.

AFI3

- Effective monitoring and oversight of re-shaping adult services and YOS.
- Member development in more effective oversight of performance and further understanding of the implications of SSWBW Act.

HMI Probation – Full joint reinspection of Youth Offending work in Newport

- R1 The YOS Management Board should make sure that a comprehensive plan to address all identified gaps in service provision or performance is in place:
- R2 The YOS Management Board should develop an education, training and employment strategy that overcomes barriers to progression, improves literacy skills, and supports children and young people to make successful transitions into post-16 opportunities.
- R3 The YOS Management Board should make sure there is a strategy for the promotion of the use of the Welsh language.
- R4 The YOS manager should establish management oversight and quality assurance processes that are robust and applied to all aspects of the assessment, planning, and review process.
- R5 The YOS manager should make sure that good quality plans and reviews are produced by the YOS, particularly in relation to risk of harm and vulnerability.
- R6 The YOS manager should make sure that assessments concerning physical and sexual health are completed, and a clear pathway for treatment or support is established and understood by staff.
- R7 The YOS manager should make sure that all staff must understand Multi-Agency Public Protection Arrangements, and all relevant cases must be identified.

Detailed report



Performance

Audit of Newport City Council's 2015-16 Improvement Plan

- 12 On 19 May 2015, we issued a certificate confirming that the Council had discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties. The certificate is contained in [Appendix 2](#).

Certificate of compliance for the Audit of Newport City Council's assessment of 2014-15 performance

- 13 On 6 November 2015, we issued a certificate of Compliance for the audit of the Council's assessment of 2014-15 performance. The certificate confirms that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure. Our certificate is contained in [Appendix 3](#).

Whilst the Council had prioritised increasing recycling, its waste management had not been sufficiently strategic and it had not used its governance and performance management arrangements effectively to drive improvement, although it was now taking steps to address this

- 14 In January 2016, we undertook a waste management review to consider whether the Council has effective arrangements in place to improve and sustain its waste and recycling performance in line with Welsh Government targets.
- 15 Our review concluded that whilst the Council had prioritised increasing recycling, its waste management had not been sufficiently strategic and it had not used its governance and performance management arrangements effectively to drive improvement, although it was now taking steps to address this.
- 16 We came to this conclusion because:
- a to date, the Council had been slow to address its waste and recycling performance but the new waste management team was developing a business plan that would set out how performance would be improved;
 - b the Council had not used its governance and performance management arrangements effectively to improve performance but, more recently, the Street Scene, Regeneration and Safety Scrutiny Committee had shown it had the potential to play a key role in driving improvement;
 - c the Council recognised that it would struggle to meet future statutory targets unless it increased recycling participation rates but lacked a comprehensive education and engagement plan to do this; and
 - d more recently, the Council was working with key partners to improve waste and recycling performance but the management and monitoring of partnerships needed to improve.

The Council had addressed our statutory recommendation and was continuing to improve its data quality arrangements. However, there were still weaknesses in these arrangements, which needed to be addressed to ensure that its published performance data was accurate

- 17 In November 2015, we carried out a data quality review and examined a sample of six of the Council's performance measures and operational data systems. The main objective of the review was to assess whether the Council had adequately addressed our recommendation and proposals for improvement to improve its data quality assurance arrangements following a review in 2014-15.
- 18 We found that:
- a the Council had addressed our recommendation to collect and publish data on Final Special Education Needs Statements issued within 26 weeks (EDU/015a) in line with the national prescribed definition;
 - b although the Council had made improvements, there were still weaknesses in its data quality arrangements; and
 - c there were still weaknesses in some of the Council's data quality arrangements which needed to be addressed to ensure that its published performance data was accurate.

Estyn's evaluation of school performance

- 19 The proportion of pupils eligible for free school meals in Newport is a little higher than the Wales average. This is taken into account when evaluating the performance in the authority.
- 20 Estyn concluded that the proportion of pupils achieving the Foundation Phase indicator and the core subject indicator at key stage 2 has consistently been above the Wales average, and higher than in similar authorities.
- 21 Estyn concluded that performance in the core subject indicator at key stage 3 has improved at a slower rate than the Wales average. In 2015, performance was below average for similar authorities, as was the case in 2014, whereas it was above the Wales average for the three years before that.
- 22 Estyn concluded that at key stage 4, performance in the level 2 threshold including English or Welsh first language and mathematics, has steadily improved in recent years and remained close to the average of similar authorities. Performance in the capped average wider points score has steadily improved, but in 2015 has declined slightly and, for the first time in five years, is below that in similar authorities. In 2015 and in 2014, Newport has not met the Welsh Government benchmarks for performance in the main indicators at key stage 4, having exceeded them all in the previous three years.

- 23 Estyn concluded that for each of the last two years, the performance of pupils eligible for free school meals in the main indicators in primary schools is better than the Wales average. However, the performance of these pupils in secondary schools in most of the main indicators has been below average for the last three years.
- 24 Estyn concluded that primary school attendance has improved at a similar rate to that across Wales but, in 2015, it is slightly lower than in similar authorities. Secondary school attendance has improved at a slower rate than the Wales average, and is lower than the average for similar authorities in 2015.
- 25 Estyn concluded that the rate of exclusions of five days or less from schools has increased by around 60% since 2012 and is now the worst in Wales. Although the proportion of Year 11 leavers not in education, employment or training has reduced, it was the highest in Wales in 2014.

CSSIW reported that the Council continued to face significant challenges in transforming its services in readiness for the implementation of the Social Services and Wellbeing (Wales) Act (SSWBW Act) during a period of budgetary constraint

- 26 CSSIW published its **Annual Review and Evaluation of Performance 2014-15** in October 2015.
- 27 CSSIW concluded that the council continued to face significant challenges in transforming its services in readiness for the implementation of the SSWBW Act during a period of budgetary constraint. Integration of service delivery with its partner agencies was key to sustaining progress and there had been some notable successes, including the more effective functioning of a social care hub based in the local hospital. This resulted in significantly improved performance in relation to delayed transfers of care and enhanced outcomes for people.
- 28 However, the nature and scale of the required change, particularly in relation to adult services, was such that support and endorsement from all levels of the council was required in order to drive these forward. An action plan had been put in place following CSSIW's report into adult services for older people with more complex needs, which identified significant shortcomings. Successful implementation would require significant managerial energy and focus in order to help transform Newport's approach into one which was more able to be proactive in responding to people's changing needs.
- 29 CSSIW concluded that there had been some significant improvements in the recruitment and retention of the work force, notably in children's services, which had facilitated the delivery of improved performance in some areas, including outcomes for looked after children. In contrast to this, there continued to be high levels of staff sickness amongst adult social employees, which had proved resistant to managerial attempts to improve. The re-shaping of in-house services continued, and it was important for the authority to maintain continuity and quality of service delivery during this period of significant and ongoing change.

30 CSSIW concluded that restructuring had seen appointments to two new overarching safeguarding and quality assurance posts during the year, which would be key to underpinning the council's significant programme of change. Cabinet members with responsibility for child and adult services took a proactive interest in their role, and corporate parenting responsibilities were recognised and taken seriously. There was a developing awareness across the authority of the implications of the SSWB Act, but improvements in the role of scrutiny in overseeing performance and holding officers to account continued to be a work in progress.

Welsh Language Commissioner's evaluation of Newport City Council's performance

- 31 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 32 The Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.
- 33 Between July and October 2015, an investigation was conducted by the Commissioner following receipt of a complaint under section 18 of the Welsh Language Act 1993 from a member of the public. The Commissioner decided to exercise her powers under section 17 to conduct an investigation to ascertain whether there had been a failure to carry out the language scheme of the Council.
- 34 The Commissioner's formal response, any letters issued to the Council during the year, and the outcome of the Commissioners investigation under section 17 of the Welsh Language Act 1993 are available on the [Commissioner's website](#).

Full Joint Reinspection of Youth Offending Work in Newport

- 35 In February 2016, a reinspection of youth offending work in Newport was undertaken jointly by the criminal justice, care and support, health, and learning and skills inspectorate following poor outcomes during a full joint inspection in 2014.
- 36 The inspection concluded that Newport Youth Offending Service (YOS) had made a step change in performance since the last inspection. The YOS was stronger in assessment and delivering good quality interventions. The YOS Management Board had clear objectives and was successful in making sure children and young people had access to a range of services designed to move them away from crime. There was still work to do to improve planning to manage vulnerable children and young people, and provide a comprehensive education, training and employment service. The YOS were aware of where they needed to improve and were constructively addressing the issues.
- 37 A summary of the findings of the re-inspection are set out below:
- a Overall work to reduce reoffending was satisfactory. Good quality pre-sentence reports were provided to the courts. Staff were good at investigating the reasons why children and young people had offended. The quality assurance process did not make sure reviews of assessments and plans were of the required standard. The YOS did not sufficiently promote the benefits of the use of the Welsh language. There was no basic skills strategy in place to make sure literacy and numeracy levels for children and young people improved.
 - b Overall work to protect the public and actual or potential victims was satisfactory. Reports to court and initial assessments of risk of harm were sufficient. Too many reviews of assessments were not completed following a significant change or were of poor quality. Risk management plans did not contain a sufficient focus on victim issues or contingency planning. The Multi-Agency Public Protection Arrangements process was not embedded within the YOS.
 - c Overall, work to protect children and young people, and reduce their vulnerability, was unsatisfactory. Reports to court and initial assessments of safeguarding and vulnerability were satisfactory, but reviews of assessments were not undertaken, or were incomplete following a significant change. Plans often did not contain sufficient focus on vulnerability and how it should be managed. The quality assurance process in place was not effective in making sure the quality of work to address vulnerability was sufficient.
 - d Overall, work to make sure that the sentence was served was good. Reports and initial assessments were good at identifying diversity issues and barriers to engagement. The YOS was good at engaging children and young people and their parents/carers throughout the sentence. The appropriate use of compliance and enforcement action was evident in most cases. There was insufficient focus on assessing the physical and sexual health of children and young people.

- e Overall, the effectiveness of governance and partnership arrangements was satisfactory. There was evidence of strategic leadership with a clear plan and direction of travel for the YOS. Partners were held to account through a clear performance management framework. Effective scrutiny arrangements existed for the YOS Management Board and there was involvement from local authority elected members in addressing youth crime. The YOS was well led by a knowledgeable management team.
 - f Overall, interventions to reduce reoffending was satisfactory. There was a suitable range of interventions available at the YOS. Staff thought innovatively about adapting existing materials or creating new ones to make sure there was engagement with the children and young people. Barriers to positive engagement were not always identified, especially with regard to focused work for girls and young women. Outcomes from new or existing interventions had not been fully evaluated and measured.
- 38 The inspection made seven recommendations. These are set out on page eight above.
- 39 The inspection report was published in June 2016 and is available on the [HMI Probation website](#).

Use of resources

Audit of the Council's accounts

40 On 1 February 2016, the Auditor General issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor, and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. The Annual Audit Letter can be found in [Appendix 4](#) of this report.

The Council had strengthened its financial arrangements, but more work was required to deliver a balanced medium-term financial plan, and to improve the clarity of financial information reported to members

41 In April 2015, we published a national report on 'The financial resilience of councils in Wales'. This report was based on fieldwork carried out in all Welsh local councils.

42 Given the continuing pressures on funding for councils in Wales, we considered whether the Council had appropriate arrangements to plan, to secure, and to maintain its financial resilience in the medium term (typically three to five-years ahead). We undertook a review during the period May 2015 to January 2016, and followed up issues highlighted in our 2014-15 financial resilience work. The focus of this review was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period. We issued our financial resilience report to the Council in June 2016.

43 Overall, we concluded that the Council had strengthened its financial arrangements but more work was required to deliver a balanced medium-term financial plan, and to improve the clarity of financial information reported to members.

44 We came to this conclusion because:

- a the Council's medium-term financial plan was not yet fully balanced and supported by a formalised reserves policy;
- b the Council had improved elements of its financial controls, which included a review of the unplanned underspend reported in 2014-15, but there was scope to improve its financial controls further; and
- c the Council had sound financial governance arrangements at an officer level but the clarity of information provided to Cabinet and Scrutiny could be further improved to support the monitoring of agreed savings.

Governance

The Council had made progress against all the recommendations made in our Corporate Assessment follow-up report, but some further work remained to ensure these were addressed fully

- 45 In February and March 2016, we did a follow-up review to determine the Council's progress in addressing the recommendations made in our Corporate Assessment and its Follow-up. Other work we undertook at the Council in 2015-16 also informed our assessment. This included our reviews of data quality, financial resilience and waste management.
- 46 Our review concluded that the Council had made progress against all the recommendations made in our Corporate Assessment follow-up, but some further work remained to ensure these were addressed fully.
- 47 We came to this conclusion because:
- a there had been a good demonstration of collective leadership in responding to our corporate assessment findings and other challenges facing the Council;
 - b the Council had arrangements in place to address, monitor and report our recommendations, although more active challenge and discussion of progress at Cabinet would strengthen these arrangements;
 - c the quality of information provided to Members to enable them to challenge and take decisions had improved but scope remained to ensure this was consistent;
 - d the Council had started to improve its governance arrangements, however, the value of scrutiny was not yet being maximised;
 - e the Council had strengthened its financial arrangements, but more work was required to deliver a balanced medium-term financial plan and to improve the clarity of financial information reported to Members;
 - f the Council did not yet have a strategic approach to workforce planning, but the results of its recent employee engagement survey showed that the Council had increasingly engaged employees, which provided it with good foundations to strengthen its workforce planning; and
 - g the Council had addressed our recommendation to collect and publish data on Final Special Educational Needs Statements issued within 26 weeks (EDU/015a) in line with the national prescribed definition.

The Gwent Frailty Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme

- 48 From April 2011, Aneurin Bevan University Health Board (the Health Board) and Blaenau Gwent, Caerphilly, Monmouthshire, Newport, and Torfaen Councils began implementing an ambitious integrated model of care called the Gwent Frailty Programme (the Programme)¹. The Programme was funded by a Welsh Government Invest to Save loan and contributions from respective partners to create a pooled fund.
- 49 The Programme has legal status under a Section 33 partnership agreement² between the Health Board and the five Gwent councils. The agreement ran for three years commencing in April 2011. A Gwent Frailty Joint Committee (GFJC) was created as a decision-making body holding formal accountability under the Section 33 agreement. An Operational Co-ordinating Group, a range of specialist sub-groups, and local implementation structures also supported the work of the Frailty Programme Joint Committee³.
- 50 In November 2012, we reviewed the Programme and found that partners were strongly committed to the Gwent Frailty vision and had created a sound programme management framework to underpin it. We recognised that the Programme was in the early stages of implementation and it faced challenges to ensure the Programme was sustainable, to change established working practices, and to demonstrate its impact.
- 51 Our latest review in May 2015 focused on whether the Gwent Frailty Programme had delivered improvements in line with individual organisations' expectations.
- 52 We concluded that 'the Programme had demonstrated positive regional cross-sector partnership working to tackle growing community-based needs, but it had not evidenced tangible improved outcomes, which would be important as partners determine the future of the programme'.
- 53 We reached this conclusion because:
- a The Gwent Frailty Programme successfully brought together partners who invested time and resources to improve outcomes for frail elderly people, but the financial aims were not achieved, and outcomes remained difficult for partners to evidence.

1 Unless stated otherwise, the 'Programme' covers the committees and working groups, members and staff, and the overall delivery and service model.

2 The Section 33 agreement provides a formal basis for partnership working. The partners can employ a section 33 agreement as a mechanism to create pooled revenue and capital funding. The host's financial management and financial accounting rules apply. This means that the joint service can reclaim VAT as well as utilising other financial flexibilities available to local government bodies.

3 For the purposes of this report, reference to Programme Committees covers the Gwent Frailty Joint Committee, Operational Co-ordinating Group, the range of specialist sub-groups and local implementation structures.

- b Governance arrangements over the lifetime of the programme had been generally adequate, but the Programme could have engaged partners better, benefited from clearer information, and been more open about its business. We found that:
- the governance arrangements provided for timely decision-making but partner organisations were not always kept adequately informed of important issues affecting the Programme, such as the emerging large underspend;
 - financial reporting arrangements within the Programme was adequate, but performance reporting was not fit for purpose;
 - public transparency and decision recording started well but became weaker over time; and
 - routine scrutiny of decisions by the GFJC was not robust, although, most partners reported annually through their own scrutiny arrangements.
- c The Gwent Frailty Programme benefited from strong commitment and was at a pivotal point in its journey, but needed clarity of vision to succeed. We found that:
- the Programme had benefited from a strong commitment from the partner organisations, this needed to be re-confirmed in the context of the financial and operational challenges facing the individual organisations; and
 - the future direction of the Programme was unclear, the partnership was at a pivotal point, and partners were yet to agree a clear vision, which would need measurable outcomes and benefits.

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. 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.

Improvement authorities are under a general duty to ‘make arrangements to secure continuous improvement in the exercise of [their] functions’. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority’s likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority’s track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

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 – Audit of Newport City Council’s 2015-16 Improvement Plan

Certificate

I certify that I have audited Newport City Council’s (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit, I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas

Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services
Non Jenkins, Manager
Martin Gibson, Performance Audit Lead

Appendix 3 – Audit of Newport City Council’s assessment of 2014-15 performance

Certificate

I certify that, following publication on 14 October 2015, I have audited Newport City Council’s (the Council’s) assessment of its performance in 2014-15 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure, and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Council to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Council has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Council has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Council has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit, I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Council's assessment of performance, therefore, comprised a review of the Council's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas

Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services
Non Jenkins, Manager
Sara-Jane Byrne, Performance Audit Lead

Appendix 4 – Annual Audit Letter

Councillor R Bright
Leader of the Council and Chair of Cabinet
Newport City Council
Civic Centre
Newport
South Wales
NP20 4UR

1 February 2016

Dear Councillor Bright

Annual Audit Letter – Newport City Council 2014-15

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

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

It is the Authority'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 Authority'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 30 September 2015, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Authority'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 24 September 2015 (see summary below) and a more detailed report of the issues arising will follow in due course.

Exhibit 1 – Significant issues arising from the audit

Reporting Requirement	Audit Findings
Audit opinion	<p>The audit report contained an ‘Emphasis of Matter’ paragraph drawing the readers’ attention to the fact that the Council had not prepared Group accounts for Newport Transport Limited. The opinion was not qualified in respect of this matter.</p>
Uncorrected misstatements	<p>Property Plant and Equipment Additions reported in Note 12 are ‘overstated’ by £108,000, as VAT has been included in the amount capitalised.</p> <p>The landfill capping provision in Note 21 was overstated by £127,000.</p> <p>The provision for Equal Pay Bridging Payments reported in Note 21 was overstated by £329,000. Also, in Note 21, provisions included £900,000 for Equal Pay ‘bridging payments’ and ‘outstanding claims’. The same value was duplicated within earmarked reserves disclosed in Note 8.</p> <p>The Pension Liability disclosed in Note 41 was calculated on inaccurate information provided by the Council to its Actuary.</p> <p>Our testing identified an ‘accrual’ of expenditure that could not be adequately supported, so was classified as an error. When ‘extrapolated’ over the total accruals, this indicated a total potential error value of £513,500.</p> <p>There was an ‘unreconciled’ amount of £3,991,000 in Note 28, which provides an analysis of income and expenditure (with no effect on the accuracy of the main statements).</p> <p>The Council had not correctly accounted for its share of ‘jointly controlled’ operations.</p> <p>None of the above were material to our audit opinion, and where applicable, are expected to be resolved as part of the 2015-16 accounts.</p>
Corrected misstatements	<p>There were nine significant misstatements in the statements that were corrected by management prior to the issue of the audit opinion.</p>

Reporting Requirement	Audit Findings
Other significant issues arising from the audit	<p>We reported a range of concerns about the qualitative aspects of accounting practices and financial reporting. The Council had a high number of changes to its finance staff, particularly in key areas, and this clearly impacted on the audit, the availability of the working papers, and the response times to audit queries.</p> <p>We were assured that, arising out of a delay in presenting the draft accounts for audit, it would enable the Council to undertake a high-standard of quality assurance on the draft accounts and give the Council sufficient time to ensure that all working papers would be readily available and provided with the draft accounts on 1 July. We found that the draft accounts contained many instances where a robust management review would have identified inaccuracies and issues with working papers.</p> <p>In general, and particularly during the later stages of the audit, I received information in a timely and helpful manner and was not restricted in my work. The audit team will continue to work with key finance staff during the coming year to identify areas where further improvements and efficiencies can be made in the audit process.</p>

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

My consideration of the Authority'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 as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

A certificate confirming that the audit of the accounts has been completed was issued to the Authority on 30 September 2015.

During the course of the year there have been no formal challenge or objection issues on the accounts that I have had to deal with.

The financial audit fee for 2014-15 is currently expected to be £3,920 higher than the fee set out in the Annual Audit Outline. This increase is as a result of the delay in providing us with complete working papers and additional work required on the issue of the consolidation of Newport Transport.

I would like to express my appreciation to all the Council staff who assisted with the completion of my audit work.

Yours sincerely

Anthony Barrett
For and on behalf of the Auditor General for Wales

CC: Will Godfrey, Chief Executive
Meirion Rushworth, Head of Finance

Appendix 5 – National report recommendations published in 2015-16

Date of report	Title of review	Recommendation
April 2015	<p>The Financial Resilience of Councils in Wales</p>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> • is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure; • maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and • should clearly articulate the desired role of the council in five years – the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances. <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> • strengthen budget setting and monitoring arrangements to ensure financial resilience; and • review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.

Date of report	Title of review	Recommendation
April 2015	<p>The Financial Resilience of Councils in Wales</p>	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view</p>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (paragraphs 2.2 to 2.20). We therefore recommend:</p> <ul style="list-style-type: none"> Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services). <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (paragraphs 2.33 to 2.36; 3.16 to 3.17). We therefore recommend:</p> <ul style="list-style-type: none"> As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view</p>	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (paragraphs 2.25 to 2.32). We therefore recommend:</p> <ul style="list-style-type: none"> • Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy). • The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> – information sharing and consultation about developments related to school improvement; – developing collaborative relationships of shared accountability; and – undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies. <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (paragraphs 2.37 to 2.40). We therefore recommend:</p> <ul style="list-style-type: none"> • the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and • local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.

Date of report	Title of review	Recommendation
June 2015	<p>Achieving improvement in support to schools through regional education consortia – an early view</p>	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> • improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements; • improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money; • make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level; • develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities; • develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees; • ensure the openness and transparency of consortia decision making and arrangements; • recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and • develop robust communications strategies for engagement with all key stakeholders.

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> • the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements; • the appointment of a lead member for safeguarding; and • regularly disseminating and updating information on these appointments to all staff and stakeholders. <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> • ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children; • creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and • requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement. <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> • ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes; • creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and • requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.

Date of report	Title of review	Recommendation
July 2015	<p>Review of Corporate Safeguarding Arrangements in Welsh Councils</p>	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> • benchmarking and comparisons with others; • conclusions of internal and external audit/ inspection reviews; • service-based performance data; • key personnel data such as safeguarding training, and DBS recruitment checks; and • the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities. <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> • the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services; • realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people; • the appointment of a member champion for older people's services; and • regularly disseminating and updating information on these appointments to all staff and stakeholders. <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> • ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and • engaging with residents and partners in the development of plans, and in developing and agreeing priorities. <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> • setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services; • ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and • establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.

Date of report	Title of review	Recommendation
October 2015	<p>Supporting the Independence of Older People: Are Councils Doing Enough?</p>	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> • setting out how changes to services or cuts in budgets will affect groups with protected characteristics; • quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics; • indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and • ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them. <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> • setting a performance baseline at the start of projects to be able to judge the impact of these overtime; • agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and • improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.

Date of report	Title of review	Recommendation
December 2015	Delivering with less – leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> • setting an agreed council vision for leisure services; • agreeing priorities for leisure services; • focusing on the Council’s position within the wider community sport and leisure provision within the area; and • considering the potential to deliver services on a regional basis. <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council’s agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> • the availability of capital and revenue financing in the next three-to-five years; • options to improve the commercial focus of leisure services; • opportunities to improve income generation and reduce council ‘subsidy’; • a cost-benefit analysis of all the options available to deliver leisure services in the future; • the contribution of leisure services to the Council’s wider public health role; • better engagement with the public to ensure the views and needs of users and potential users are clearly identified; • the impact of different options on groups with protected characteristics under the public sector equality duty; and • the sustainability of service provision in the future.

Date of report	Title of review	Recommendation
December 2015	Delivering with less – leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> • capital and revenue expenditure; • income; • council ‘subsidy’; • quality of facilities and the service provided; • customer satisfaction; • success of ‘new commercial’ initiatives; • usage data – numbers using services/facilities, time of usage, etc; and • impact of leisure in addressing public health priorities. <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> • regularly reporting performance to scrutiny committee(s); • providing elected Members with comprehensive information to facilitate robust decision-making; • benchmarking and comparing performance with others; and • using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.

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