



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report

Pembrokeshire County Council

Issued: July 2014

Document reference: 303A2014

About the Auditor General for Wales

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

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

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

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

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Jeremy Evans under the direction of Jane Holownia.

Contents

Summary report and recommendations	4
Detailed report	
Introduction	6
The Council is making good progress in delivering improvements in its priority areas	7
The Council has improved its approach to self-evaluation and has produced a comprehensive review of its performance, compliant with legislation and guidance	12
The Council's planning for improvement and its arrangements to support improvement are sound, but the Appointed Auditor has issued a public interest report and has highlighted some areas where governance arrangements need to be considered	13
The Council is likely to make arrangements to secure continuous improvement for 2014-15	19
Appendices	
Appendix 1 Status of this report	20
Appendix 2 Useful information about Pembrokeshire and Pembrokeshire County Council	21
Appendix 3 Annual Audit Letter	23
Appendix 4 Pembrokeshire County Council's improvement objectives and self-assessment	27

Summary report and recommendations

Summary

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. This report sets out the findings of the work undertaken on behalf of the Auditor General by staff of the Wales Audit Office and draws on the work of the relevant Welsh inspectorates. The report covers Pembrokeshire County Council's (the Council) delivery and evaluation of services in relation to 2012-13, its planning of improvement for 2013-14 and, taking these into account, records the Auditor General's conclusion on whether he believes that the Council will make arrangements to secure continuous improvement for 2014-15.
- 2 We found that, in 2012-13, the Council is making good progress in delivering improvements in its priority areas. We came to this conclusion because:
 - the Council continues to improve the well-being of its citizens, supporting independent and healthy living effectively;
 - the Council has met the current national waste targets and made good progress in reducing its carbon footprint;
 - the Council has acted decisively to achieve a culture of greater openness and transparency within education services, it has strengthened arrangements for safeguarding and has improved the scrutiny of education; and
 - corporate arrangements are in place to ensure the implementation of the *Welsh Language Scheme*.
- 3 We also found that the Council has improved its approach to self-evaluation and has produced a comprehensive review of its performance, compliant with legislation and guidance.
- 4 Finally, we found that, during 2013-14, the Council's planning for improvement and its arrangements to support improvement were sound, but the Appointed Auditor has issued a public interest report and has highlighted some areas where governance arrangements need to be considered. We came to this conclusion because:
 - the Council has discharged its improvement planning duties under the Local Government (Wales) Measure 2009 (the Measure) and has acted in accordance with Welsh Government guidance;
 - the Council continues to make good progress in addressing the proposals for improvement identified in previous assessments;
 - the Council has developed clear financial plans, but could improve the quality of financial information provided to members to strengthen decision making;
 - the Council has good arrangements for preparing its financial statements, but the Appointed Auditor has reported an item of expenditure in the 2012-13 accounts which he believes was unlawful; and

- the Council is improving its governance arrangements and encouraging greater member involvement and challenge, however the Appointed Auditor has identified some specific governance issues that the Council will need to consider.

5 Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

Recommendations

6 We make no new recommendations this year, and this report sets out the progress the Council is making to address the proposals for improvement made in our previous reports. Those proposals for improvement are set out in our improvement assessment letters issued to the Council during the course of the year. These letters are available on our website:
www.wao.gov.uk.

Detailed report

Introduction

- 7 Under the Measure, the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. This work has been undertaken by staff of the Wales Audit Office. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW), and the Welsh Language Commissioner (the Commissioner) we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 8 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of prioritised work undertaken this year.
- 9 Given the wide range of services provided and the challenges facing the Council, 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.
- 10 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@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

The Council is making good progress in delivering improvements in its priority areas

The Council continues to improve the well-being of its citizens, supporting independent and healthy living effectively

- 11 The Council's *Improvement Review* presents a positive picture of progress and a strong commitment to continuous improvement and support for the well-being of the county's citizens. The Council supports over 90 per cent of its clients who are over 65 in the community; this is the highest percentage in Wales. Improvements have been made across the board, not just services for older people. For example the number of people visiting the county's leisure centres has increased, with junior membership increasing by 120 per cent.
- 12 The CSSIW published its *Annual Review and Evaluation of Performance 2012/2013* in October 2013 and this is available on its website: www.cssiw.org.uk. The CSSIW's findings are summarised in paragraphs 13 to 19.
- 13 The Council has made a substantial investment in the social services workforce in both adult and children's services to implement recommendations from its recruitment and retention strategy for social work.
- 14 Adult services benefit from the Council's emphasis on supporting people in the community and progress on this is being maintained. The integration agenda between the Council and the health board is pivotal in helping people to remain independent and provide access to community based services.
- 15 Children's services continue to sustain steady improvement and performance. There has been significant investment with the necessary appointment of qualified social workers to embed quality in practice. Whilst organisational change has been ongoing in children's services, performance has improved in a number of areas.
- 16 The director's report gives a comprehensive account of the Council's performance and clearly reflects the evidence provided to the CSSIW.
- 17 The CSSIW has identified the following potential risks:
 - the sustainability of services during the embedding of the new management structures;
 - establishing a sustainable framework for long-term commissioning;
 - sustainability of services in times of financial challenge; and
 - maintaining effective collaboration with health as budget pressures increase.

- 18 The Council is making progress in areas for development identified last year. For example, the Just Checking telecare system has been purchased, and will be trialled and evaluated as a response to the need to develop its telecare service. The Council has responded positively to the recommendations of the Alder Review into learning disability services. Progress has also been made in relation to children's services. The Council reports that it has now implemented new arrangements for permanency planning for looked-after children. A permanency panel meets monthly to monitor existing plans and to confirm that appropriate permanency plans are in place for children and young people approaching their third looked-after children's review.
- 19 The CSSIW has identified the following areas of good practice:
- As part of the implementation of the Carers Strategies (Wales) Measure 2010, Pembrokeshire, Carmarthenshire and Ceredigion county councils and Hywel Dda University Health Board have developed an information and consultation strategy. This was approved by the Welsh Government and sets out partnership priorities for engagement with carers.
 - The carer's newsletter is now distributed in hospital departments, wards and community pharmacies. Carers information packs have been piloted in community settings that included pharmacies, leisure centres and libraries and the Council will develop this further during 2013-14.
- The use of integrated teams with health in the *Flying Start* programme, IFST and Family Support.
 - The implementation of a comprehensive quality assurance framework in children's services.
- The Council has met the current national waste targets and made good progress in reducing its carbon footprint**
- 20 The Council's waste-related performance in 2012-13 was good, meeting the targets set by the Welsh Government. The proportion of municipal waste sent to landfill improved faster than the national average; the Council being ranked joint 15th out of 22 councils. The proportion of municipal waste collected for reuse and/or recycled also improved, again at a faster rate than the national average; the Council improving its ranking to 11th of 22. In addition to the environmental benefits achieved, exceeding the national targets for waste ensured that the Council avoided potential financial penalties.
- 21 The Council has continued to strengthen its waste collection, disposal and recycling arrangements, taking into account feedback from citizens. Nearly all citizens now have access to kerbside glass recycling and kitchen waste collection. The Council is working effectively in partnership with the South West and South East Wales regional groups to introduce new regional initiatives, such as the *Anaerobic Digestion Plant and Residual Waste Programme*.

22 Actions taken by the Council during and prior to 2012-13 have been a catalyst for improved performance. Carbon emissions and energy consumption from non-domestic buildings continue to reduce, helping the Council to save £785,000 in energy costs. The Council's approach to the planning and design of its own buildings promotes high environmental standards; for example, three new schools that received environmental awards were designed in-house, with sustainability a key design feature. More schools participated in the Sustainable Schools Award Scheme, and as a result, some schools increased their accreditation level.

23 The amount of household waste sent to landfill has reduced and the proportion of household waste that is recycled has increased. The Council has identified areas where it needs to improve performance such as in dealing with an increase in fly-tipping and in highway litter, and is taking action to address these issues. The Council has a good understanding of the barriers to improvement. It is using this information to deliver a range of improvements intended to improve operational efficiency and initiatives designed to encourage households to recycle.

The Council has acted decisively to achieve a culture of greater openness and transparency within education services, it has strengthened arrangements for safeguarding and has improved the scrutiny of education

24 Following Estyn's inspection of education services for children and young people in October 2012, the Council was identified as requiring special measures. A monitoring plan was subsequently agreed with Estyn, and the first monitoring visit took place in November 2013. The paragraphs that follow summarise the outcomes of that visit:

- During and immediately after the inspection in October 2012, the Council acted quickly and decisively which has resulted in change and improvement happening at a rapid pace.
- The Chief Executive, Leader and senior officers took difficult and sensitive decisions to remove barriers to progress in order to bring about the necessary improvement.
- These decisions were implemented carefully and have resulted in a complete restructure within the Children and Schools Service. A new management team is working closely together as a cohesive group to embed change.
- The Council now engages well with the regional consortia. Joint working arrangements with Carmarthenshire County Council have strengthened the Council's capacity to challenge and support its schools.

- There is a significant change in culture within the Council, demonstrated through greater openness and transparency within education services. The Council's vision and expectation for its education services is communicated clearly to schools and other partners. Officers and elected members have shown a willingness to work constructively with inspection, audit and regulatory bodies to identify and address shortcomings. They demonstrate a firm commitment to implement change and an appetite for further improvement.

25 As a result of the improvements to safeguarding arrangements within the Council, the Head of Human Resources (HR) now takes a lead role in a Welsh Local Government Association working group to produce good practice guidance on safe recruitment for use by other local authorities across Wales.

26 The Director for Children and Schools chairs the Regional Safeguarding Children's Board. This provides helpful opportunities for the authority to compare its safeguarding practice with others across the region through peer challenge and the use of benchmarks.

27 A further monitoring visit by Estyn, undertaken in June 2014, reviewed the overall progress made against all recommendations from the original inspection. The outcome of this inspection by Estyn has judged that the Council has

made sufficient progress in relation to the recommendations following the inspection of October 2012. As a result, Her Majesty's Chief Inspector of Education and Training in Wales considers that the Council is no longer in need of special measures and is removing it from further follow-up activity.

Corporate arrangements are in place to ensure the implementation of the *Welsh Language Scheme*

28 The role of the Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.

29 The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of local authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every local authority 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.

- 30 The Council has completed a *Linguistic Skills Strategy*, and has also continued with the work of analysing staff learning needs and several departments have now undertaken this work. However, it was not possible for the Council to report on the number of staff who can speak Welsh due to doubts regarding the reliability of the data on the payroll system. The Council is expected to give priority to completing this work in order to get a clear picture of the situation. The Council has not reported on third-party compliance arrangements, but it has completed the work of establishing a system that records the language choice of customers. Implementation of the *Linguistic Skills Strategy* is a priority for the next year.

The Council has improved its approach to self-evaluation and has produced a comprehensive review of its performance, compliant with legislation and guidance

- 31 The Council has discharged its improvement reporting duties under the Measure and has acted in accordance with the Welsh Government guidance. The Council published its *Improvement Review* by the deadline of 31 October 2013. The Auditor General's audit of the *Improvement Review* found it to be comprehensive, fair and balanced.
- 32 There is robust evidence from within services and departments that performance is being actively monitored and managed at head of service and director level. The links between the service improvement plans and the Council's overarching *Improvement Plan* are simpler this year. In addition, evaluation of progress has been much clearer with both service and member involvement. The Council is now much better at consistently evaluating the impact that its activity is having on the lives of citizens and the extent to which progress is being made towards intended outcomes and goals.
- 33 Corporate arrangements for coordinating and reporting performance have been strengthened since last year. In addition, in May 2013 the Council published its revised *Performance Management Framework*. This framework puts arrangements in place which have the potential to manage the Council's performance and drive improvement in a more robust and thorough way.
- 34 The Council has an established reporting process with reports going quarterly to Corporate Management Team and Cabinet. Reporting is just as frequent to Scrutiny; Scrutiny Committee members have expressed views over the last year that have resulted in the reports being improved. However members, at times, struggle to get fully to grips with the information, as they are not clearly guided to the areas of concern or interest by officers. This can, and does, limit challenge and questioning. The Council is currently considering how to enable members to make better use of these reports and the information they contain.
- 35 The Council has also continued the use of exception reporting to highlight services or areas that are underperforming. These areas are discussed at Corporate Management Team and an agreed action plan established to bring performance back on target. Poor performance is also considered by Cabinet, as well as at joint meetings between the Cabinet and Corporate Management Team. This is helping to ensure that performance issues are identified at an early stage and agreement is reached on any proposed corrective action.
- 36 The Council was successful in gaining the full Outcome Agreement grant from the Welsh Government. This grant is awarded to councils who can evidence progress in achieving outcomes across 10 areas set by and agreed with the Welsh Government. The Council achieved all of its targets ranging from leisure and procurement to biodiversity and adult protection.

The Council's planning for improvement and its arrangements to support improvement are sound, but the Appointed Auditor has issued a public interest report and has highlighted some areas where governance arrangements need to be considered

The Council has discharged its improvement planning duties under the Measure and has acted in accordance with Welsh Government guidance

37 The Council produces a timely improvement plan that is straightforward and concise, outlining what it wants to achieve and how it will go about it. The *Improvement Plan* links well with both the *Single Integrated Plan* and the Council's service improvement plans. The *Improvement Plan* is as accessible as possible to a public audience, technical language is kept to a minimum and unnecessary detail is avoided. The plan includes useful background information about the range and scale of services the Council provides, which promotes awareness of the breadth of activities that the Council is responsible for. The Council has also produced a concise summary of the *Improvement Plan* as a useful addition for citizens.

38 The Council identified five improvement objectives; a reduction on the previous year's eight. The five objectives are less broad in scope this year, bringing a clearer focus to the Council's immediate priorities. The basis for selecting these objectives is clearly explained, including the extent to which they were informed by public consultation and engagement. The Council has consulted with a range of stakeholders but it has made some assumptions about those with protected characteristics and, as such, the Council could do more to engage with these groups in the future. All five

objectives align directly with the themes of the *Single Integrated Plan* which replaces the *Community Plan*. The continued alignment supports the Council's ongoing agenda of continuous improvement across all services.

39 This year, the Council has better described the contribution to be made by partners towards achieving its improvement objectives. The Council has also extended the narrative to refer to other improvement activity that it will undertake as part of its general duty to improve, which helps readers to understand the context in which the Council operates and its wider improvement obligations. The plan and the summary have been published bilingually in accordance with the Council's *Welsh Language Scheme*.

The Council continues to make good progress in addressing the proposals for improvement identified in previous assessments

40 The Council has addressed all of our proposals for improvement made in relation to its *Improvement Plan* and its *Improvement Review*, and is making steady progress on those made through our themed reviews into technology, information management and public engagement.

- 41 The Council has strengthened HR processes in relation to the handling of safeguarding allegations. The Council has significantly revised and strengthened its processes for recording and maintaining information relating to professional abuse allegations. These changes include the appointment of a single HR adviser to manage the HR elements of all professional abuse strategy meetings, not only those for education-related incidents. The Council has also introduced a revised secure form within its electronic HR system for the recording of all steps of the investigation process. This secure form enables the HR adviser to quickly and easily see the current state of play for each case. This form also includes the references required to signpost information residing in other systems such as that used by social services.
- 42 Whilst recognising that there are a good range of checks in place within the HR system, we proposed that the Council should increase the use of system-generated notifications to reduce the potential for human error resulting in mistakes. The Council responded positively to this proposal and put steps in place to ensure that the IT system was playing a full part in keeping processes safe.

The Council has developed clear financial plans, but could improve the quality of financial information provided to members to strengthen decision making

- 43 The Council set a budget for 2012-13 based on net expenditure of £198 million, with anticipated capital and revenue earmarked, usable reserves, by the end of the year of approximately £35 million. The final position, as reported in the 2012-13 financial statements, confirmed that expenditure of £198 million was in line with the budget and that earmarked reserves had increased to £50 million. The year-end reserves position reflected an increase from anticipated levels of £4.5 million for *21st Century Schools*, £2.5 million for the vehicles and plant reserves and £1.6 million for the general fund capital reserves. In addition, £6.0 million was transferred from the pay and grading provision to an earmarked reserve.
- 44 For the current financial year (2013-14), the Council set a budget requirement of £212 million, based on the expectation that reserves levels at the end of the year would be £42 million (although this excluded the pay and grading reserve). The month 9 financial monitoring report (three-quarters of the way through the year) shows expenditure of £157 million, at 74 per cent of the full year. The Council is therefore on target to meet its budgeted expenditure for this year.

- 45 The Appointed Auditor's annual letter confirms that, from his review of financial management, the Council has a clear process for budget setting and engagement with members through workshops and scrutiny committee discussion. During the year, progress has also been made in the way financial and performance information is reported to members at the same time, although there is still scope to link both reports, showing more clearly the impact that changes in performance (in terms of levels of activity against targets) might have on the financial position being reported.
- 46 In addition, reporting more regularly on the movement and utilisation of reserves, particularly where there are significant changes made to reserves following closure of the previous year's financial statements would enable members to make more informed decisions.
- 47 The Council, in approving its budget for 2014-15 in March 2014, also considered a summary *Medium Term Financial Plan* for the period 2014-15 to 2015-16. The report confirmed that the Council had delivered savings of some £8.0 million in the four-year period from 2010-11 to 2013-14. It also identified a cost reduction target of £12.9 million in 2014-15 and an additional target of £7.1 million for 2015-16.
- 48 The headline cost reduction target of £12.9 million for 2014-15 is based upon the need for the Council to fund identified budget cost increases of £6.8 million, coupled with a reduction in revenue support grant of £6.1 million. In response, the Council has identified cost reductions of £11.4 million, and is to finance the residual sum of £1.5 million by an increase in council tax.
- 49 The Auditor General is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enable them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

The Council has good arrangements for preparing its financial statements, but the Appointed Auditor has reported an item of expenditure in the 2012-13 accounts which he believes was unlawful

- 50 The 2012-13 financial statements were re-approved by the Council's Corporate Governance Committee on 28 April 2014 and the auditor appointed by the Auditor General issued his audit opinion on 8 May 2014.
- 51 In his *Annual Audit Letter* (shown in Appendix 3), he reports that:
- his audit of the financial statements confirmed that the Council had good arrangements for closedown of the financial ledger and preparation of the financial statements; and
 - there has also been a very positive engagement with the newly established Audit Committee as it developed its understanding and role during the year.
- 52 The Appointed Auditor's public interest report, issued in January 2014, reported his view that a decision made by the Council's Senior Staff Committee in September 2011 (to allow senior staff the option of receiving the equivalent of the employer's pension contribution as, in effect a pay supplement, if they opted out of the Local Government Pension Scheme), was unlawful. As a result, a payment made in 2012-13 and included as expenditure in the financial statements, was 'contrary to law'.

- 53 The Council considered the public interest report at an Extraordinary Council meeting on 14 February 2014 and accepted the recommendations (acknowledging that withdrawing the option for senior staff and stopping any future payments creates contractual issues).

The Council is improving its governance arrangements and encouraging greater member involvement and challenge; however, the Appointed Auditor has identified some specific governance issues that the Council will need to consider

- 54 Following past critical reports, the Council was required to put together and agree with the Auditor General an action plan outlining the activity it was going to take to address the recommendations made. In addition to this action plan the Council, recognising the importance of the regulator concerns, created and adopted a time-bound improvement objective for 2012-13. The Council has made good progress in addressing the agreed action plan.
- 55 The Council has created a dedicated Partnership and Scrutiny support team. This team has developed well over the year and has provided the Council's scrutiny committees with a range of effective support including support for the regular committee meetings and support for task and finish activity. The Council is developing the scrutiny forward work programmes so that they are more clearly linked to the work programmes of other senior Council groups such as Cabinet and Corporate Management Team.

- 56 The Council participated in the Auditor General's review of scrutiny and was able to observe the scrutiny function of other councils. The Council held a 'self-assessment' session with scrutiny chairs, vice chairs and directors. The self-assessment identified a number of positive changes over the year and highlighted some areas for further development.
- 57 The Council has clarified, in an easy-to-understand form, its governance and decision-making processes. This includes the publication of terms of reference for all of its key groups, including scrutiny committees. A handbook, developed for members, explains clearly in both pictorial and narrative form the relationship between committees and groups. The handbook also plainly articulates the roles and responsibilities of members. This is supplemented by training which also covers other aspects, such as the specific skills required to manage and chair committee meetings. Members have completed a self-assessment to enable them to assess their own effectiveness and identify further training needs. This assessment has led to the development and delivery of other training such as understanding the culture and structure of the voluntary sector, although more remains to be done.
- 58 Most members are more engaged with Council activity. There has been good attendance at a range of workshops aimed at seeking their views and perspectives on how the Council is performing, what its priorities should be and where the Council's money should be spent. Members actively participate in the debate demonstrating their knowledge and a commitment to the ambitions of the Council.
- 59 The Council has published a full register of meetings attended by members during 2012-13, and in addition, publishes attendance at individual scrutiny committee level for the current year. This is a positive step and the information being available on the Council's website enables citizens to form a view of member participation.
- 60 The Council now publishes agendas and meeting summaries for Corporate Management Team on its internal website. Further transparency is provided by publishing on the internet the decisions taken by directors. Since the introduction of the decision registers, the Council has increased the level of detail contained in the registers making them clearer and more understandable by citizens.

- 61 We have observed improvements in the effectiveness of overview and scrutiny function within the Council. Members have been presented with robust information which has enabled them to question and challenge senior officers, school head teachers and governors, specialist advisers and Cabinet members. Meeting management is improving and it is now much clearer why each subject is being debated, what it is in front of scrutiny for and what recommendation needs to be made. The introduction of an action log for all committees has helped ensure that issues are not lost; however, these do not contain the recommendations made by committee. Whilst these are in the minutes, it can, as a consequence, reduce the visibility of the recommendations accepted. Committee management needs to further develop and evolve across all overview and scrutiny committees to ensure the delivery of consistent high-quality scrutiny in all service areas.
- 62 The Appointed Auditor's public interest report has highlighted a number of governance themes that the Council will need to consider as the Council reviews and updates its constitution. In particular:
- the reasons why reports may need to be exempt from the public;
- clarifying legal powers and implications, specifically the public sector equality duty when making formal decisions;
 - ensuring that all relevant factors and options are considered in decision making; and that appropriate legal advice is sought and taken; and
 - clarifying the circumstances when declarations of interest should be made by members and officers in decision-making forums.
- 63 It is clear that the Council, its officers and members, need to reflect on these issues. The increasing financial pressures (and potentially the changing face of local government in Wales) will mean that the Council is likely to have to make some difficult policy decisions and all officers and members have a key role to play in working together to address these future challenges.
- 64 Another area of focus for the Council is the constitution. Currently, the Council is working through the model Welsh constitution (promoted by the Welsh Government and the Welsh Local Government Association) and has established a Constitution Working Group to deliver a version tailored to the Council's exact requirements. This is a complex and time-consuming task, but as part of its support for the Council, the Welsh Government has commissioned the Centre for Public Scrutiny to provide the Council with expert advice as it tackles this project.

The Council is likely to make arrangements to secure continuous improvement for 2014-15

- 65 Based on the conclusions outlined in the previous sections of this report, the Auditor General believes that the Council is likely to meet the requirements of the Measure in making arrangements to secure continuous improvement.

Appendices

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

Useful information about Pembrokeshire and Pembrokeshire County Council

The Council

The Council spends approximately £265 million per year (2012-13). This equates to about £2,154 per resident. In the same year, the Council also spent £30 million on capital items.

The average band D council tax in 2012-13 for Pembrokeshire was £944.60 per year. This has increased by 3.15 per cent to £974.36 per year for 2013-14. 66.1 per cent of Pembrokeshire's housing is in council tax bands A to D.

The Council is made up of 60 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 33 Independent Plus
- 4 Plaid Cymru
- 7 Labour
- 3 Conservatives
- 3 Pembrokeshire Alliance
- 10 not affiliated

The Council's Chief Executive is Mr Bryn Parry-Jones. He is supported by:

- Deputy Chief Executive: Ben Pykett
- Director of Finance and Leisure: Mark Lewis
- Chief Finance Officer: Jonathan Haswell
- Director of Development: Steven Jones
- Director of Transportation and Environment: Ian Westley
- Director of Education and Social Services: Jake Morgan
- Director of Adult Social Care: Pam Marsden

Other information

The Assembly members for Pembrokeshire are:

- Paul Davies, Preseli Pembrokeshire, Conservative Party
- Angela Burns, Carmarthen West and South Pembrokeshire, Conservative Party
- Rebecca Evans, Mid and West Wales Region, Labour Party
- Simon Thomas, Mid and West Wales Region, Plaid Cymru
- Joyce Watson, Mid and West Wales Region, Labour Party
- William Powell, Mid and West Wales Region, Welsh Liberal Democrats

The Members of Parliament for Pembrokeshire are:

- Stephen Crabb, Preseli Pembrokeshire, Conservative Party
- Simon Hart, Carmarthen West and South Pembrokeshire, Conservative Party

For more information see the Council's own website at www.pembrokeshire.gov.uk or contact the Council at Pembrokeshire County Council, County Hall, Haverfordwest, SA61 1TP. Tel: 01437 764551 or e-mail: enquiries@pembrokeshire.gov.uk.

Appendix 3

Annual Audit Letter

Cllr J Adams
Leader
Pembrokeshire County Council
County Hall
Haverfordwest
Pembrokeshire
SA61 1TP

Dear Mr Adams

Annual Audit Letter

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

The Council complied with its responsibilities relating to financial reporting and I have completed my audit opinion and certificate. I have highlighted some matters for attention in the Council's arrangements for ensuring the economy, effectiveness and efficiency in the 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.

Financial statements

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.

My audit of the financial statements confirmed that the Council had good arrangements for closedown of the financial ledger and preparation of the financial statements. As in previous years, the quality of the draft financial statements and working papers to support them was good, as were the working arrangements between the Council's finance staff and my audit team.

There has also been a very positive engagement with the newly established Audit Committee as it developed its understanding and role during the year.

The financial statements and my report were presented to the Corporate Governance Committee on 30 September 2013, where I reported that, due to a difference in legal views on the Council's decision to allow senior staff to receive the equivalent of the employer's pension contribution if they opt out of the Local Government Pension Scheme, I was unable to finalise the audit and provide an audit opinion. The Committee approved the financial statements which, at that stage, made no reference to that difference of opinion.

I have subsequently issued a Public Interest Report (on 31 January 2014) in which I reported that, in my view, the decision taken in September 2011 was unlawful. The Council considered this report at an Extraordinary Council meeting on 14 February 2014 and accepted the recommendations (acknowledging that withdrawing the option for senior staff and stopping any future payments creates contractual issues).

The Council has accepted the Public Interest Report and its recommendations, but in the detail within the report, there are a number of governance issues that need to be considered as the Council reviews and updates its Constitution. In particular:

- the reasons why reports may need to be exempt from the public;
- clarifying legal powers and implications, specifically the public sector equality duty when making formal decisions;
- ensuring that all relevant factors and options are considered in decision making; and that appropriate legal advice is sought and taken; and
- clarifying the circumstances when declarations of interest should be made by Members and officers in decision making forums.

It is clear that the Council, its officers and Members, need to reflect on these issues. The increasing financial pressures (and potentially the changing face of local government in Wales) will mean that the Council is likely to have to make some difficult policy decisions and all officers and Members have a key role to play in working together to address these future challenges.

The 2012-13 financial statements have now been amended to include an appropriate disclosure and were re-approved by the Corporate Governance Committee on 28 April 2014. I issued my audit opinion on 8 May 2014.

Economy, efficiency and effectiveness in the 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 as part of the Improvement Assessment under the Local Government (Wales) Measure 2009.

Overall, whilst I am satisfied that the Council has appropriate arrangements in place, I have identified some matters for attention in this letter. The Auditor General has also highlighted areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made in his Annual Improvement Report.

Financial management

The Auditor General's report *Meeting the financial challenges facing local government in Wales*, issued in January 2014, highlighted the Council's strategic planning process as good or promising practice:

Good or promising practice example 4: Pembrokeshire County Council

The Council has produced a plan that is straightforward and concise outlining what it wants to achieve and how it will go about it. The plan is well written and easy to understand. The Improvement Plan links well with both the Single Integrated Plan and the Council's Service Improvement Plans 2013-2014, with 'golden threads' running through the plans, the documents are now easy to relate to one another.

My review of the financial management, within these arrangements, confirms that there is a clear process for budget setting, and engagement with Members through workshops and Scrutiny Committee discussions. In-year monitoring has also improved, with financial and performance setting information being made available for scrutiny at the same time.

However there are still areas to consider including:

- showing a clearer commentary between performance and financial data; and
- reporting more regularly on the movement and utilisation of reserves, particularly where there are significant changes made to reserves following closure of the previous year's financial statements.

Audit certificate

My audit certificate, confirming that I have completed the audit of the Council's accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales, was given on 8 May 2014.

At the planning stage, the financial audit fee for 2012-13 was £143,221. As noted above, I have had to undertake additional work that resulted in the Public Interest Report. The cost of this additional work is approximately £25,000, which is an additional charge to the Council. I will discuss the final audit fee with the Chief Finance Officer and report this to the Audit Committee.

Yours sincerely

Richard Harries

For and on behalf of the Appointed Auditor
11 June 2014

cc Mr B Parry-Jones, Chief Executive, Pembrokeshire County Council
Mr J Haswell, Chief Finance Officer, Pembrokeshire County Council

Appendix 4

Pembrokeshire County Council's improvement objectives and self-assessment

The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2013-14 in its *Improvement Plan* which can be found on the Council's website at www.pembrokeshire.gov.uk. They are:

Improvement objectives 2013-14
IO1 – Schools Improvement We will improve learning outcomes to help children and young people reach their potential.
IO2 – Town Centre Improvement We will enable, facilitate and deliver schemes to improve the viability and vitality of our town centres.
IO3 – Waste Management We will continue to increase the proportion of waste that is recycled in order to reduce the amount of waste sent to landfill.
IO4 – Reviewing Adult Care Services We will reconfigure the provision of our adult care services to improve efficiency and sustainability.
IO5 – Safeguarding We will strengthen our safeguarding arrangements in schools to ensure that children and young people are not put at risk.

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found in its *Improvement Review 2012/2013* which can also be found on the Council's website at www.pembrokeshire.gov.uk.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk