

Cyngor Sir CEREDIGION County Council

REPORT TO:	Governance and Audit Committee
DATE:	17th January 2023
LOCATION:	Remotely by Video Conference
TITLE:	Regulator & Inspectorate Reports & Updates
PURPOSE OF REPORT:	To provide the Governance and Audit Committee with updates on the progress with studies Audit Wales have undertaken or are undertaking
For:	Decision

Introduction

This Report sets out Regulator and Inspectorate Reports and updates and has 3 parts:

- a) Audit Wales quarterly update to Governance and Audit Committee*
- b) Any local risk work issued/published since the last Governance and Audit Committee meeting*
- c) Audit Wales National Reports*

Current Position

a) Audit Wales quarterly update to Governance and Audit Committee

- Audit Wales – Work Programme and Timetable – Ceredigion County Council (**Appendix 1**)

b) Any local risk work issued/published since the last Governance and Audit Committee meeting

- Care Inspectorate Wales – Inspection Report on Targeted Care and Enablement (**Appendix 2**)
- IPCO Surveillance and CHIS Inspection – Ceredigion County Council 16 September 2022 (**Appendix 8**)
- Audit Wales – Assurance and Risk Assessment 2021-22 Financial Position update (**Appendix 9**)

c) Audit Wales National Reports

- Audit Wales – Equality Impact Assessments: More than a tick box exercise? (**Appendix 3**)
- Audit Wales – The National Fraud Initiative in Wales 2020-21 (**Appendix 4**)
- Audit Wales – Time for Change – Poverty in Wales (**Appendix 5**)
- Audit Wales – A Missed Opportunity – Social Enterprises (**Appendix 6**)
- Audit Wales - A Picture of Flood Risk Management (**Appendix 7**)

RECOMMENDATIONS: To consider the Regulator and Inspectorate reports and updates

Reasons for Recommendation To keep the Governance and Audit Committee informed of reports, proposals and work being undertaken

- **Appendices:**

Appendix 1 Audit Wales – Work Programme and Timetable – Ceredigion County Council

Appendix 2 Care Inspectorate Wales – Inspection Report on Targeted Care and Enablement

Appendix 3 Audit Wales – Equality Impact Assessments: More than a tick box exercise?

Appendix 4 Audit Wales – The National Fraud Initiative in Wales 2020-21

Appendix 5 Audit Wales – Time for Change – Poverty in Wales

Appendix 6 Audit Wales – A Missed Opportunity – Social Enterprises

Appendix 7 Audit Wales – A Picture of Flood Risk Management

Appendix 8 IPCO Surveillance and CHIS Inspection – Ceredigion County Council 16 September 2022

Appendix 9 Ceredigion ARA 2021-22 Financial Position Update Letter

Contact Name: Elin Prysor

Designation: Corporate Lead Officer: Legal & Governance & Monitoring Officer

Date of Report 19/12 /2022

Audit Wales Work Programme and Timetable – Ceredigion Council

Quarterly Update: 30 September 2022

Annual Audit Summary

Description	Timetable	Status
A report summarising completed audit work since the last Annual Audit Summary, which was issued in February 2022	February 2022	Published February 2022: Ceredigion County Council 2021 - Annual Audit Summary

Financial Audit work

Description	Scope	Timetable	Status
Audit of the Council's 2020-21 Grants and Returns	Audit of claims as required by the terms and conditions of the grants	In line with the individual deadlines for each grant claim	Audit work complete – finalised April 2022
Audit of the Council's 2021-22 statement of accounts	To confirm whether the statement of accounts provides a true and fair view	Audit Opinion by 30 November 2022	Audit work to be performed February to November 2022

Description	Scope	Timetable	Status
Audit of the 2021-22 Return for Ceredigion Harbour	To confirm that the returns have been completed correctly	Audit Opinion by 30 November 2022	Audit work to be performed February to November 2022
Audit of the Council's 2021-22 Grants and Returns	Audit of claims as required by the terms and conditions of the grants	In line with the individual deadlines for each grant claim	Audit work to be performed November 2022 to February 2023

Performance Audit work

2021-22 Performance audit work	Scope	Timetable	Status
Well-being of Future Generations Act (Wales) 2015 (WFG Act) examinations	We will seek to integrate the delivery of our WFG examinations of steps to deliver wellbeing objectives with our other audit work. We will discuss this with the Council as we scope and deliver the audit projects listed in this plan	Ongoing	Ongoing
Improvement reporting audit	Audit of discharge of duty to publish an assessment of performance.	November 2021	Complete

2021-22 Performance audit work	Scope	Timetable	Status
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources.</p> <p>At Ceredigion Council the project is likely to focus on:</p> <ul style="list-style-type: none"> • Financial position • Self-assessment arrangements • Recovery planning • Implications of the Local Government and Elections (Wales) Act • Carbon reduction plans • Performance Management 	Ongoing	<p>Implications of the Local Government and Elections (Wales) Act, Self-assessment arrangements, Performance Management and Recovery Planning work already published in this Letter (May 2022)</p> <p>Drafted Carbon reduction plans summary – awaiting Council comments.</p> <p>Drafting Financial position report.</p>
Springing Forward – Examining the building blocks for a sustainable future	<p>As the world moves forward, learning from the global pandemic, this review looks at how effectively councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.</p>	Completed	<p>Reports completed and published (July 2022):</p> <p>Strategic Asset Management</p> <p>Strategic Workforce Management</p>

2022-23 Performance audit work	Scope	Timetable	Status
Assurance and Risk Assessment	<p>Project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources and acting in accordance with the sustainable development principle. The project is likely to focus in particular on:</p> <ul style="list-style-type: none"> • Financial position • Capital programme management • Governance • Use of performance information – with a focus on service user feedback and outcomes • Setting of well-being objectives 	Ongoing	Ongoing
Thematic Review – Unscheduled Care	<p>A cross-sector review focusing on the flow of patients out of hospital. This review will consider how the Council is working with its partners to address the risks associated with the provision of social care to support hospital discharge, as well as prevent hospital admission. The work will also consider what steps are being taken to provide medium to longer-term solutions.</p>	July – December 2022	Fieldwork

2022-23 Performance audit work	Scope	Timetable	Status
Thematic review – Digital	This project is being scoped with further details of the specific focus of the review to be confirmed.	To be confirmed.	Scoping
Local risk work: Planning review follow up	To follow up the Council's progress in relation to addressing the recommendations in our Planning review published in November 2021. Ceredigion County Council - Review of the Planning Service	Autumn 2022	Fieldwork

Local government national studies planned/in progress

Study	Scope	Timetable	Status	Fieldwork planned at Ceredigion Council
Poverty	Understanding how local authorities ensure they deliver their services to minimise or reduce poverty	Autumn 2021 – Autumn 2022	Clearance – publication October 2022.	Yes – interview with nominated officer at the Council.
Social Enterprises	Review of how local authorities are supporting and utilising social enterprises to deliver services	Autumn 2021 – Autumn 2022	Clearance – publication November 2022.	Yes – interview with nominated officer at the Council.
Building Social Resilience and Self reliance	Review of how local authorities can build greater resilience in communities	Autumn 2021 – Autumn 2022	Report drafting.	Yes – interview with nominated officer at the Council.
Building safety	Review of how well local authorities are delivering their responsibilities for building safety	September 2022 – August 2023	Project initiation.	Yes – interview with nominated officer at the Council and survey.

Study	Scope	Timetable	Status	Fieldwork planned at Ceredigion Council
<p>Planning for sustainable development – Brownfield regeneration</p>	<p>Review of how local authorities are promoting and enabling better use of vacant non-domestic dwellings and brownfield sites</p>	<p>October 2022 – September 2023</p>	<p>Project development.</p>	<p>Yes – interview with nominated officer at the Council and survey.</p>
<p>Corporate Joint Committees</p>	<p>Assessing CJsCs' progress in developing their arrangements to meet their statutory obligations and the Welsh Government's aim of strengthening regional collaboration.</p>	<p>September 2022 – January 2023</p>	<p>Setting up fieldwork.</p>	<p>Yes – We are exploring the Council's perspective via our routine liaison meetings. Fieldwork includes interviews with the chief executive, director of finance and chair of each of the four CJsCs.</p>

Estyn

Estyn planned work 2022-23	Scope	Timetable	Status
<p>Local Government Education Services Inspections</p>	<p>Estyn inspected Anglesey and Swansea local government education services during the summer term. The reports were published in August and early September. Estyn carried out a post-inspection improvement conference in Torfaen in September and will be monitoring Pembrokeshire local authority in early October. Estyn has updated the inspection guidance to reflect a greater emphasis on socio-economic disadvantage and inequity and to make minor tweaks in response to feedback from inspections in 2021-22.</p>	<p>Inspection guidance review – July. Published on website September 1.</p>	<p>N/A</p>
<p>Curriculum reform thematic review</p>	<p>The Welsh Government has also asked Estyn to review the school improvement services in south-west Wales.</p>	<p>Evidence collecting in June/July – findings presented to the Welsh Government in September.</p>	<p>N/A</p>

Care Inspectorate Wales (CIW)

CIW planned work 2022-23	Scope	Timetable	Status
Programme 2022-23	We continue to test and evaluate our revised approach – including assurance checks, improvement checks, and performance evaluation inspections (PEIs). This will result in a revised operating framework for inspection and a revised code of practice.	April 2022- March 2023	In progress
Joint work	<p>We continue to work with partners, sharing information and intelligence including completing joint reviews.</p> <p>We currently are working in collaboration with HIW for a national review of the stroke pathway and CMHT inspections.</p>	Current	In progress
Deprivation of Liberty Safeguards Annual Monitoring Report for Health and Social Care 2021-22	Following the publication of the 2020-21 report, planning is underway for the next report's publication date to be confirmed.	Publication to be confirmed.	Drafting/data collecting.
Annual meeting with Statutory Directors of Social Services	CIW will meet with all Directors of Social Services.	December 2022 and January 2023	Planning

CIW planned work 2022-23	Scope	Timetable	Status
<p>National review of care planning for children and young people subject to the Public Law Outline pre-proceedings</p>	<p>Purpose of the review</p> <p>To provide external scrutiny, assurance and to promote improvement regarding the quality of practice in relation to the care planning for children and young people subject to the public law outline pre-proceedings.</p> <p>To consider the extent to which practice has progressed since the publication of both the CIW 'National Review of care planning for children and young people subject to public law outline pre proceedings' and the publication of the PLO working group report 2021 including best practice guidance.</p>	<p>September 2022</p>	<p>Planning/ surveying</p>
<p>Joint inspection child protection arrangements</p>	<p>Cross-inspectorate approach. Areas to be determined. We will complete a further four multi-agency joint inspections.</p> <p>We will publish a national report in late 2023.</p>	<p>Autumn 2022 – Spring 2023</p>	<p>Planning</p>
<p>Cafcass assurance check</p>	<p>CIW will continue to develop its approach to inspection and review of Cafcass Cymru. We have published its first assurance check letter.</p> <p>We will evaluate our approach and will consult on our revised approach in late 2022. This will result in a revised operating framework for inspection and the code of practice.</p>	<p>September – December 2022</p>	<p>Planning</p>

Audit Wales national reports and other outputs published since January 2022

Report title	Publication date and link to report
Equality Impact Assessments: More than a Tick Box Exercise?	September 2022
Welsh Government – setting of well-being objectives	September 2022
Welsh Government workforce planning and management	September 2022
NHS Wales Finances Data Tool – up to March 2022	August 2022
Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report	August 2022
Public Sector Readiness for Net Zero Carbon by 2030	July 2022
Sustainable Tourism in Wales’ National Parks	July 2022
Third Sector COVID-19 Response Fund – Memorandum for the Public Accounts and Public Administration Committee	July 2022
The Welsh Community Care Information System – update	July 2022
Tackling the Planned Care Backlog in Wales – and waiting times data tool	May 2022
The new Curriculum for Wales	May 2022

Report title	Publication date and link to report
Unscheduled care – data tool and commentary	April 2022
Direct Payments for Adult Social Care	April 2022
Local Government Financial Sustainability data tool	February 2022
Joint Working Between Emergency Services (including data tool)	January 2022

Audit Wales national reports and other outputs (work in progress/planned)¹

Title	Anticipated publication date
Welsh Government accounts commentary 2020-21 ²	September/October 2022
Collaborative arrangements for managing local public health resources	October 2022
National Fraud Initiative (summary report)	October 2022

¹ We will continue to keep our plans under constant review, taking account of the evolving external environment, our audit priorities, the context of our own resourcing and the capacity of audited bodies to engage with us. This includes maintaining some flexibility so that we can respond to developments in Welsh Government policy and areas of possible interest for the Public Accounts and Public Administration Committee. On 22 September, we published an article to our website providing an [update on the development of the Auditor General's work programme](#) following our consultation in spring 2022. We will be bringing some additional new work into our programme during the rest of 2022-23.

² To include commentary on issues raised in the Auditor General's report on the accounts concerning a payment made to the former Permanent Secretary and COVID-19 business support.

Title	Anticipated publication date
Cyber resilience follow-up (learning from cyber-attacks)	October 2022
Flood risk management	November 2022
Orthopaedic services	November 2022
Quality governance in the NHS	November 2022
Digital inclusion	November/December 2022
Affordable housing	To be confirmed

Good Practice Exchange events and resources

Title	Link to resource
Tackling poverty in Wales: responding to the challenge – this shared learning event will bring people together from across public services to share ideas, learning and knowledge on how organisations can respond to the challenges caused by poverty. We will share examples of approaches being taken by organisations within Wales and across the UK.	Tackling Poverty: Cardiff event Tackling Poverty: Conwy event
Direct Payments Provision – a webinar discussing our report on direct payments provision and how they can be a key part in implementing the principles of the Social Service and Well-Being (Wales) Act 2014.	Direct Payments Provision webinar recording
Responding to the Climate Emergency in Wales – a webinar discussing emerging findings from our baseline review of public bodies' arrangements to	N/A

Title	Link to resource
respond to the Welsh Government's carbon reduction targets for 2030.	
Covid Perspectives – a series of recorded conversations learning how organisations have adapted to the extended period of uncertainty following the initial COVID emergency.	Covid Perspectives: Engagement and Communications

Recent Audit Wales blogs

Title	Publication date
Cost of living and putting away the bayonet	21 September 2022
Heat is on to tackle Climate Change	18 August 2022
Direct Payments in Wales	15 June 2022
Unscheduled Care in Wales – a system under real pressure	21 April 2022
Skills Competition Wales	18 February 2022
Cyber resilience – one year on	9 February 2022
Helping to tell the story through numbers (Local government financial sustainability data tool)	3 February 2022
Call for clearer information on climate change spending	2 February 2022

Title	Publication date
<u>Cost of living and putting away the bayonet</u>	21 September 2022
<u>Heat is on to tackle Climate Change</u>	18 August 2022
<u>Actions speak louder than words</u> (Building social resilience and self-reliance in citizens and communities)	14 January 2022



Inspection Report on

Targeted Care and Enablement

**Ceredigion County Council
Unit 1 Aeron Valley Enterprise Park
Lampeter
SA48 8AG**

Mae'r adroddiad hwn hefyd ar gael yn Gymraeg

This report is also available in Welsh

Date Inspection Completed

20/10/2022

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About Targeted Care and Enablement

Type of care provided	Domiciliary Support Service
Registered Provider	Ceredigion County Council Adults and Children's Services
Registered places	0
Language of the service	Both
Previous Care Inspectorate Wales inspection	18 February 2020
Does this service provide the Welsh Language active offer?	The service provides an 'Active Offer' of the Welsh language. It anticipates, identifies and meets the Welsh language and cultural needs of people who use, or may use, the service.

Summary

The service offers people a short and targeted period of support (usually up to six weeks) to enable them to regain as much of their independence as possible. People are very satisfied with the service and we were told *"It's a fantastic service, I'm as happy as Larry and they've helped me to build my strength up"*. Representatives value the support and encouragement from the staff and a family member told us *"It's a great service, the carers encourage him to do his exercises"*.

Experienced support workers are guided by detailed plans that are created with the individual and focus on the goals they want to achieve while in the service. One told us *"Working for the service is fulfilling, no two calls are the same, its varied and makes a difference to peoples' lives which makes it very rewarding"*. The managers of the service are accessible and well respected by all involved. A support worker said *"I feel that I am part of a very good team and the support is from the top down"*.

Well-being

People receive person centered support and are involved in all decisions about the service they receive. Detailed information about individual goals people have while using the service is recorded in personal plans. Senior staff work closely with health and social care professionals to help people remain as independent and as healthy as possible. A support worker told us *“We have a good network of people we can contact if needed; from, GP, district nurses, occupational therapists and physiotherapists”*. People and/or their representatives regularly contribute to decisions that affect them. Senior workers maintain detailed personal plans that focus on setting and achieving goals and communicate effectively with all involved.

The service lasts for up to six weeks and supports people to regain as much of their independence as possible. People’s health and well-being are constantly being promoted by the service because support workers focus on what people can do and support only where needed. A support worker told us *“I enjoy helping people when they need it and improving their wellbeing and health”*. People feel valued because the service provides an 'Active Offer' of the Welsh language. Many of the staff are Welsh speakers, which means people are able to communicate in Welsh or English as they choose. People are empowered to remain in control of their support by staff who enable them to regain skills effectively and safely.

Recruitment and training ensures people get the right care and support, from skilled and knowledgeable workers. Care workers protect people from abuse and neglect and are fully aware of their responsibilities to raise concerns. People and/or their representatives know how to make a complaint if needed and have full confidence in the managers.

People have a voice and input into the running of the service because the RI involves them in quality assurance. Governance processes are comprehensive and focus on developing the service by using information from surveys and audits. The Quality of Care Review identifies areas to improve following consultation with people who use the service. The provider is also looking into creative ways of working to meet peoples needs, including the use of innovative assistive technology.

Care and Support

People are very happy with the care and support they receive, an individual told us *“The staff are brilliant, friendly courteous and they have a laugh with us”*. Staff support people in their own homes to regain their independence, this can be after a hospital admission or period of illness. A family member told us *“The girls (care workers) are good, they have got to know us well”*. The provider has personalised and accurate goal orientated plans for how it delivers support to individuals.

The manager considers a range of information from the person, their representatives, workers and external professionals. Risk assessments help to maintain people’s safety, while promoting and encouraging their independence. Senior workers regularly review plans with individuals, their representatives and professionals so they remain focused on achieving their outcomes. Daily notes are detailed and show the support people receive and include important feedback from the individual. Support workers follow an enablement ethos and assist people in-line with their specific individual goals. We saw very good evidence of health and social care professionals being involved throughout the planning and reviewing process.

Support workers are passionate and positive about their role and the impact they have on people. A worker told us *“I enjoy making a difference to people, seeing them regain their independence and no longer needing the service, it’s nice to see them being able to stay in their own homes and continue living the life that they choose”*.

The manager and RI told us about a team approach to maintaining the service during the pandemic. We were told the staff covered each other’s shifts when they had to isolate and kept the service going. Support workers are very grateful for the support they received throughout the pandemic.

The provider has policies and procedures to manage the risk of infection. There are good hygiene practices in line with Public Health Wales guidance. The service provides accessible and effective, advice to support workers. Each individual plan has video links to current moving and handling practice relevant to that person and can be accessed whenever needed.

Leadership and Management

The provider has good arrangements in place for monitoring, reviewing and improving the quality of the service. The Responsible Individual's (RI) statutory quarterly visits are comprehensive and involve people and/or their representatives and staff. Information from internal quality assurance systems informs the action plan that focuses on improving the service. The six monthly Quality of Care Review is detailed and highlights positive outcomes as well as areas the service intends to improve.

There is an open and supportive culture at the service. The manager is accessible and well respected by the team. People have confidence in the way the service manages complaints and feel able to raise them if needed. A person told us *"I haven't had to complain but if I had to, I have the managers number and would be straight on the phone"*. Support workers are positive about the leadership and managers; one told us *"My line manager is there to support us in any way, especially through the COVID pandemic"*. All support workers confirm they receive regular, one-to-one supervision meetings and appraisals and can talk to the manager whenever they need to, records corroborated this. A support worker told us *"my manager is always at the end of the phone for support"*. Staff members have a good understanding around safeguarding. Policies and procedures are in place to support good practice and staff have a sufficient understanding of key policies.

Pre-employment checks take place before new employees start work. These include reference checks, right to work and Disclosure and Barring Service (DBS) checks. Support workers receive mandatory, person specific and developmental training to meet people's needs and enable outcomes. The induction process is comprehensive and specific to the service. Ongoing training and development is available to workers in line with the varied and complex needs of the people they support. A support worker told us *"I am more knowledgeable after training and it helps me in supporting people back to being independent in their own home"*.

Adequate numbers of staff are available to meet people's needs. Dedicated workers ensure people get continuity of care and support to help build essential relationships. An individual told us *"I was anxious at the start of the service but they reassured me within the first couple of days and now, we feel like we have known them for years"*.

Summary of Non-Compliance

Status	What each means
New	This non-compliance was identified at this inspection.
Reviewed	Compliance was reviewed at this inspection and was not achieved. The target date for compliance is in the future and will be tested at next inspection.
Not Achieved	Compliance was tested at this inspection and was not achieved.
Achieved	Compliance was tested at this inspection and was achieved.

We respond to non-compliance with regulations where poor outcomes for people, and / or risk to people’s well-being are identified by issuing Priority Action Notice (s).

The provider must take immediate steps to address this and make improvements. Where providers fail to take priority action by the target date we may escalate the matter to an Improvement and Enforcement Panel.

Priority Action Notice(s)

Regulation	Summary	Status
N/A	No non-compliance of this type was identified at this inspection	N/A

Where we find non-compliance with regulations but no immediate or significant risk for people using the service is identified we highlight these as Areas for Improvement.

We expect the provider to take action to rectify this and we will follow this up at the next inspection. Where the provider has failed to make the necessary improvements we will escalate the matter by issuing a Priority Action Notice.

Area(s) for Improvement

Regulation	Summary	Status
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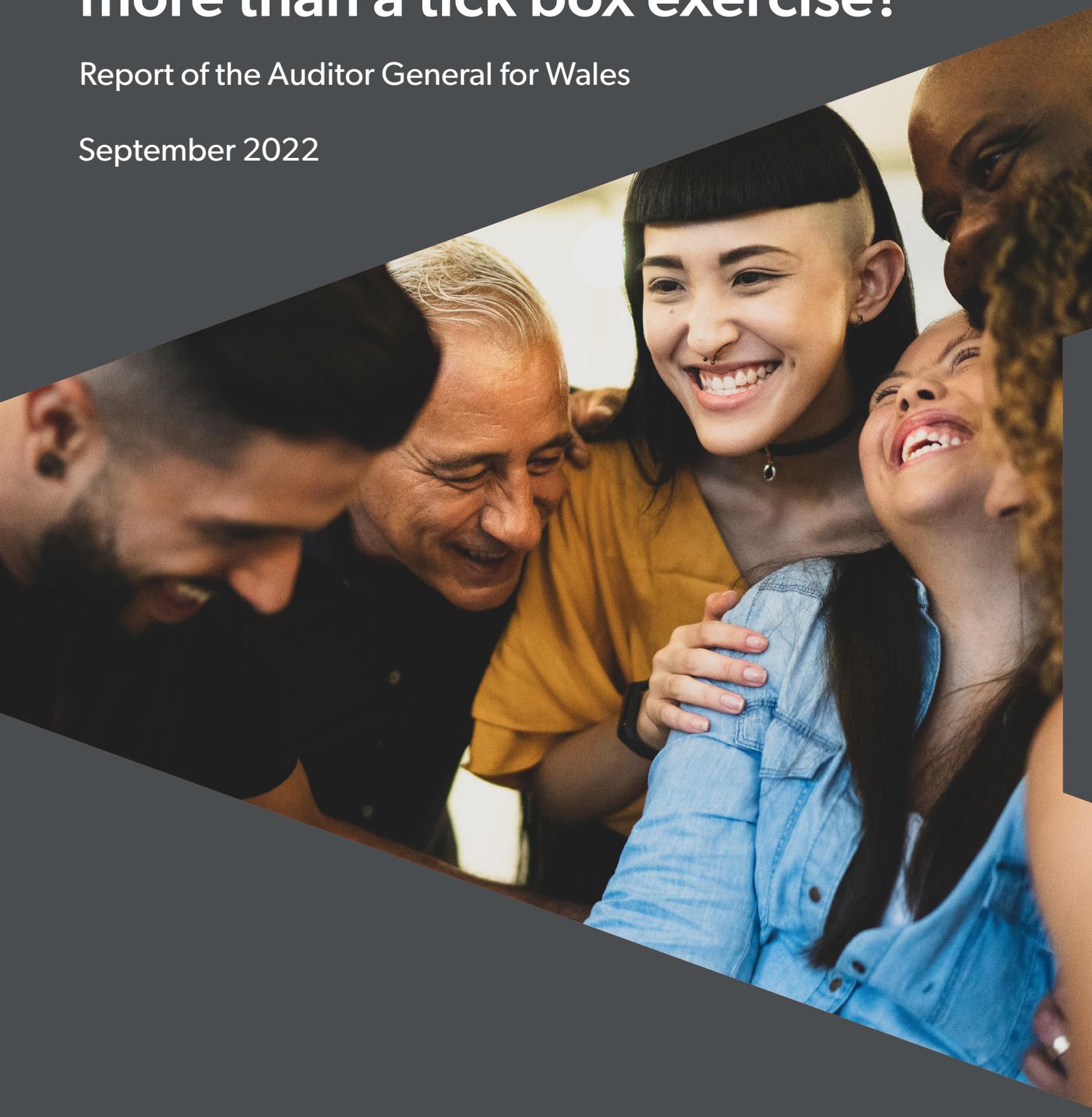
N/A	No non-compliance of this type was identified at this inspection	N/A
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Date Published 23/11/2022

Equality Impact Assessments: more than a tick box exercise?

Report of the Auditor General for Wales

September 2022



This report has been prepared for presentation to the Senedd under section 145A of the Government of Wales Act 1998.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

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.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Auditor General's foreword

Discrimination and inequality continue to impact on the quality of life and life chances of people in Wales. My Picture of Public Services 2021 report highlighted that the COVID-19 pandemic had amplified some of the entrenched inequalities in our communities. Black Lives Matter, MeToo and other social movements have brought issues of discrimination and inequality to the forefront of public policy and debate.

Equality Impact Assessment (EIA) is an important part of the approach to tackling inequality in Wales. EIAs help public services meet their legal duties to avoid discrimination in the decisions they make and to promote equality of opportunity and cohesion.

Done well, EIAs are more than a means to show compliance. They support the growth of a mind-set and culture that put issues of equality at the heart of decision-making and policy development.

Our work shows that within individual public bodies there are good examples of aspects of the process of conducting an EIA. Through this report, I want to help all public bodies learn from those that are doing well and trying new approaches.

However, what we have seen and heard tells us that public bodies in Wales tend to use their EIAs defensively. Too often, they seem like a tick box exercise to show that the body has thought about equality issues in case of challenge. While legal challenge is of course an important risk to manage, this approach means public bodies are not using EIAs to their full potential, especially in terms of promoting equality and cohesion.

I hope this report will be of interest to anybody involved in public services and with an interest in tackling inequality and promoting equality. However, I want this work to be more than interesting. It needs to have an impact. Specifically, I expect:

- the Welsh Government to respond to the recommendations to work with partners to improve and update the overall approach to EIAs;
- all public bodies to respond to the recommendation that they review their own approaches to EIAs, including mindset and culture, drawing on the findings of this report; and
- those involved in scrutiny to use this report to challenge their organisation's overall approach to EIAs and the quality of individual EIAs used to inform their decisions.

I am pleased to say that this work has already had positive impacts. Our fieldwork questions have prompted some public bodies to check aspects of their own arrangements. And we have shared emerging findings with some public bodies that were updating their approach to EIAs. Closer to home, at Audit Wales, we are looking closely at our own processes and procedures to reflect the lessons identified in this work.

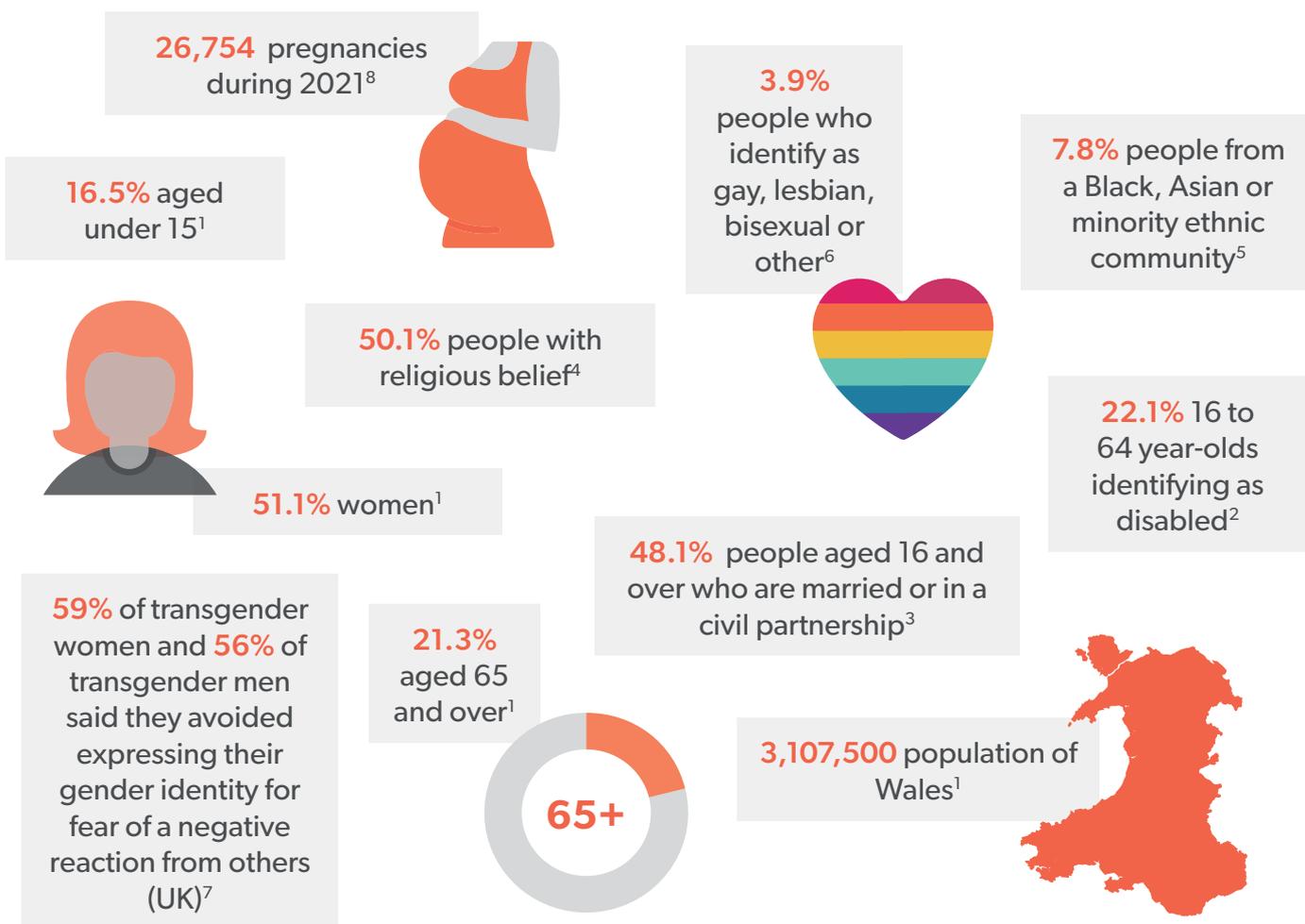


Adrian Crompton

Auditor General for Wales

Key facts

We set out below some key facts about the population in Wales in the context of the nine protected characteristics under the Equality Act 2010.



Sources:

- 1 Office of National Statistics (ONS), Population and household estimates, Census 2021, June 2022
- 2 StatsWales, Disability by age and sex (Equality Act definition) (2018-2020)
- 3 StatsWales, Marital status by age and sex (2018-2020)
- 4 StatsWales, Religion status by age (2018-2020)
- 5 ONS, Population estimates by ethnic group, England and Wales December 2021 (data for 2019)
- 6 StatsWales, Sexual identity by year, 2019
- 7 Government Equalities Office, National LGBT Survey, July 2018 (survey ran for 12 weeks from July 2017)
- 8 StatsWales, Initial assessment indicators for Wales, by mother's age, 2021

Key messages

Context

- 1 Tackling inequality is a long-standing goal of the Welsh Government. It features prominently in the 2021-2026 Programme for Government which includes the objective to ‘celebrate diversity and move to eliminate inequality in all of its forms’¹. The Well-being of Future Generations (Wales) Act 2015 makes ‘A more equal Wales’ a national goal. It defines this as ‘a society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstances)’.
- 2 Equality Impact Assessment (EIA) is an important part of the approach to tackling discrimination and promoting equality in Wales. The Equality Act 2010 introduced the Public Sector Equality Duty (PSED) across Great Britain (**Exhibit 1**). The Welsh Government has made its own regulations² setting out some Wales specific duties that bodies listed in the Act need to follow to meet the PSED. Public bodies subject to the Act must assess the likely impacts of proposed policies or practices or proposed changes to existing policies or practices on their ability to meet the PSED. In doing so, they must comply with specific requirements to engage with groups likely to be impacted and monitor actual impacts.

1 Welsh Government, Programme for Government: update, December 2021

2 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011

Exhibit 1: the Public Sector Equality Duty and protected characteristics

The PSED requires public bodies, in exercising their functions, to have due regard to the need to:

- eliminate unlawful discrimination, harassment, victimisation, and any other conduct prohibited by the Act;
- advance equality of opportunity between people who share a protected characteristic and people who do not share it; and
- foster good relations between people who share a protected characteristic and people who do not share it.

The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

The Act and the Wales specific duties apply to public bodies including councils, NHS bodies, fire and rescue services, national parks, education bodies (further and higher education bodies and maintained schools), and the Welsh Government and some of its sponsored bodies.

- 3 An EIA can provide evidence that the body has met the PSED. There have been legal challenges to decisions based on the lack or adequacy of an EIA. Moreover, EIAs support good policy and decision-making more generally by:
- **ensuring decisions impact protected groups in a fair way** – EIAs can demonstrate what, if any, action could be taken to mitigate the impact on one or more protected groups negatively affected by a decision and to promote equality and cohesion;
 - **support evidence-based policy or decision-making** – EIA is a clear and structured way to collect, assess and present relevant evidence to support decisions; and
 - **making decision-making more transparent** – EIAs must be published where they show there is or is likely to be a substantial impact.

- 4 As well as the PSED, the Equality Act 2010 included provision for a new socio-economic duty for public bodies³. The socio-economic duty came into force in Wales on 31 March 2021. It requires that public bodies, ‘when making decisions of a strategic nature about how to exercise its functions, have due regard to the desirability of exercising them in a way that is designed to reduce the inequalities of outcome which result from socio-economic disadvantage’. The Welsh Government advises public bodies to consider the socio-economic duty as part of existing processes, including impact assessments. We are currently reviewing local government’s work to tackle poverty, including aspects of the socio-economic duty and the lived experience of people experiencing poverty.

About this report

- 5 We looked at the overall approach to undertaking EIAs in public bodies in Wales. To focus our work, we concentrated on the 44 public bodies originally subject to the Well-being of Future Generations (Wales) Act 2015. The main groups covered by the PSED that we did not include were the education bodies – further and higher education institutions and maintained schools – and Corporate Joint Committees.
- 6 We focused primarily on understanding public bodies’ approaches with a view to finding good or interesting practice and identifying any common areas for improvement. We did not evaluate individual public bodies’ approaches in detail. **Appendix 1** has more detail on our audit approach and methods. Where we identify individual bodies’ practices, this is not to say that they are necessarily alone in having good or interesting practices in that area.
- 7 Parts one to three of this report set out the findings from our consideration of the EIA process at the 44 public bodies. Below, we set out the main areas for improvement we identified. These include issues that go beyond how public bodies are conducting specific parts of the processes and offer insight about the overall approach to assessing the impacts of policies and practices and the underpinning mindset and culture.
- 8 The Welsh Government is currently reviewing the PSED Wales specific regulations. We have framed our key improvement areas and recommendations in the context of the opportunity the review offers to clarify aspects of the overall approach to EIAs in Wales.

3 The duty lay dormant on the statute book as the UK Government did not commence it. The Wales Act 2017 gave new powers to the Welsh Ministers and allowed them to commence the duty in Wales. It covers most types of public bodies subject to the PSED.

Key improvement areas

- 9 Positively, there are examples of good practice in aspects of the EIA process across the public bodies we looked at. There is also non-statutory guidance from the Equality and Human Rights Commission (EHRC)⁴ and on the [Equality Impact Assessment In Wales Practice Hub](#) (the Practice Hub) about the detailed processes for conducting an EIA. Many public bodies use this guidance to shape their approaches. However, there are areas for improvement (**Exhibit 2**).

Exhibit 2: key improvement areas for EIA



Greater clarity over which type of policies and practices must be impact assessed



Greater clarity about the arrangements for assessing the impact of collaborative policies and practices



Greater clarity about expectations to consider the PSED as part of an integrated impact assessment



Better and more timely identification of the practical impacts of decisions on people and how different protected characteristics intersect



More engagement and involvement of people with protected characteristics



Better monitoring of the actual impacts of policies and practices on people



A shift in the mindsets and cultures to move EIA away from being seen as an add-on 'tick box' exercise

4 Equality and Human Rights Commission, *Assessing Impact and the Equality Duty: A Guide for Listed Public Authorities in Wales*, October 2014; and Equality and Human Rights Commission, *Technical Guidance on the Public Sector Equality Duty: Wales*, August 2014.

Greater clarity over which type of policies and practices must be impact assessed

- 10 There is scope for the Welsh Government, working with partners, to clarify its expectations around which type of policies and practices must be impact assessed. As drafted, the Welsh specific duties require public bodies to assess all new policies or practices, or those under review. However, the EHRC's non-statutory guidance recognises that 'policies and practices' is a broad category and says public bodies may need to prioritise. It introduces the concepts of 'proportionality' and 'relevance', which it says public bodies can apply through a process known as 'screening'.
- 11 We think the current position is open to interpretation in terms of whether proportionality and relevance mean public bodies should: (a) prioritise big decisions, like budget decisions or major service change; or (b) prioritise decisions that are likely to have a big impact on certain groups, for example, small scale decisions could have a large impact on one section of the population. Further, many bodies have interpreted proportionality as determining the amount of work needing to be done to assess impacts, rather than whether a policy or practice needs an EIA.
- 12 The EIAs or screening decisions that public bodies publish are usually those that go to their boards or cabinets. They therefore tend to be at the more strategic or impactful end of the scale. While we did not examine in detail practices at individual bodies, we think there is a risk that public bodies may be informally filtering out smaller scale policies and practices that do not require decisions from boards or cabinet, even though they may impact on people with protected characteristics.

Greater clarity about the arrangements for assessing the impact of collaborative policies and practices

- 13 There is scope to clarify how public bodies should do EIAs in an environment of increasing collaboration. The law places duties on individual public bodies. Since the legislation came into force, public bodies are increasingly developing plans and delivering services through collaborative arrangements. The Welsh Government updated the legislation to extend the PSED and Wales specific duties to Corporate Joint Committees in local government, but there are other collaborative arrangements not covered. These include Public Services Boards and Regional Partnership Boards as well as multiple service specific collaborations.

- 14 The Welsh Government has not produced stand-alone guidance on the use of EIAs by collaborative arrangements, although guidance for Public Services Boards highlights EIA requirements for individual public bodies⁵. The EHRC's 2014 guidance predates the creation of many of these arrangements and offers high level advice that there should be a shared approach but does not say how this should work in practice.

Greater clarity about expectations to consider the PSED as part of an integrated impact assessment

- 15 Increasingly, public bodies are integrating their EIAs with other impact assessments. While there is no legal requirement to integrate assessments, the Welsh Government's guidance on the Well-being of Future Generations (Wales) Act⁶ emphasises the opportunities for bodies to integrate their approach to different duties, including those under the Equality Act 2010. Many of the equality officers⁷ we spoke to said that integrating impact assessments led to a streamlined process and a more rounded approach to thinking about impacts. The key downside can be that the assessment is longer and can appear daunting. Our review of EIAs also identified a risk that integrated impact assessments dilute the focus on the impacts of policies and practices on people with protected characteristics.
- 16 Public bodies are inconsistent in what they include in an integrated impact assessment. Mostly, they collate separate assessments in one document, rather than produce a truly integrated analysis of impacts. There is no specific guidance to support public bodies in conducting integrated impact assessments. Many equality officers would welcome clearer guidance from the Welsh Government about its expectations.

Better and more timely identification of the practical impacts of decisions on people and how different protected characteristics intersect

- 17 There are examples of EIAs that clearly identify likely impacts on groups of people. However, many EIAs we reviewed were descriptive. They identified that a policy or practice might impact on a group of people. But they did not show how it would impact people's lives in practice. This makes it more difficult for decision-makers to assess how important the likely impacts are and if any mitigating measures proposed would be sufficient.

5 Welsh Government, Shared Purpose: Shared Future Statutory Guidance on the Well-being of Future Generations (Wales) Act 2015 (SFSP 3: Collective Role (public service boards)), February 2016.

6 Welsh Government, Shared Purpose: Shared Future Statutory Guidance on the Well-being of Future Generations (Wales) Act 2015 (SFSP 2: Individual Role (public bodies)), February 2016.

7 We have used the term 'equality officer' throughout this report to refer to staff in public bodies with specific lead specialist roles for equality, whether that be their full-time job or part of their role. The way these roles are structured, and their seniority, varies.

- 18 In general, public bodies tend to identify negative impacts that they need to mitigate where possible. They are less likely to identify potential ways that the policy or practice could positively promote equality of opportunity and cohesion, even though this is a requirement of the PSED. Few public bodies have fully grasped the complexity of identifying likely impacts of policies and practices. None of the EIAs we looked at considered what is known as 'intersectionality'; the way that different protected characteristics combine. For example, while an EIA may identify impacts for Muslim people, it may not recognise that impacts could be very different for a Muslim woman compared to a Muslim man.
- 19 Many public bodies are thinking about how to identify the cumulative impacts of multiple decisions but few are doing so. Most do not have supporting systems that would enable those conducting EIAs to access the information needed about other decisions.
- 20 Most public bodies' formal processes and guidance say they will start thinking about impacts very early in the policy development process. However, many of the equality officers recognised that in practice EIAs often start late in the process, sometimes very shortly before a decision is due to be taken. This reduces the scope to shape the policy or practice and to mitigate impacts.

More engagement and involvement of people with protected characteristics

- 21 There are examples of public bodies seeking views from people with protected characteristics and drawing on their lived experience as part of the EIA. However, some third sector bodies are concerned that this does not happen nearly enough. We found that where public bodies seek views these often form part of a broader open consultation rather than focussing on specific groups with protected characteristics.
- 22 Some third sector organisations said that listening to people with protected characteristics was the action that would most improve EIAs. National representative public bodies could not always respond to the number of requests to take part in EIAs they receive and did not always have knowledge or information to respond to local issues.

Better monitoring of the actual impacts of policies and practices on people

- 23 Public bodies need to do more to monitor the impact of policies or decisions on protected groups. Equality officers at individual public bodies identified very few examples of public bodies monitoring the actual impacts of a policy or decision once implemented. Those examples put forward generally reflected broader monitoring of a policy's objectives rather than whether the impacts identified in the EIA materialised or whether there were other unanticipated impacts.

A shift in the mindsets and cultures that moves EIA away from being seen as an add-on 'tick box' exercise

- 24 From what we have seen there has not been a sufficient change in the mindset and culture in public services to put issues of equality at the heart of policy making. The mindset revealed by the EIA is often defensive: using EIAs to prove the body has paid due regard to equality in case of political or legal challenge. Often, the EIA seems like an additional 'tick box' exercise to be complied with rather than a tool to promote equality.

Recommendations

Recommendations

Clarifying the scope of the duty to impact assess policies and practices

R1 There is scope for confusion about which type of policies and practices must be subject to an assessment for their impact on the public sector equality duty. **The Welsh Government should clarify its interpretation of the duty, including whether and how it expects public bodies to apply any test of proportionality and relevance.**

Building a picture of what good integrated impact assessment looks like

R2 Many public bodies carry out integrated impact assessments that include consideration of the PSED alongside other duties. But practice is inconsistent and often involved collating multiple assessments in one place, rather than being truly integrated, **to help maximise the intended benefits of integrated impact assessments, the Welsh Government should work with key stakeholders with an interest in the areas commonly covered by integrated impact assessments and those with lived experiences, to share learning and work towards a shared understanding of what good looks like for an integrated impact assessment.**

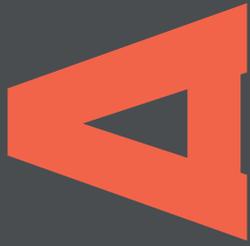
Recommendations

Applying the equality duties to collaborative public bodies and partnerships

R3 The public sector landscape has changed since the introduction of the PSED and the Welsh specific duties, with an increasing focus on collaborative planning and delivery. **The Welsh Government should review whether it needs to update the Wales specific regulations to cover a wider range of collaborative and partnership arrangements. These include public services boards, regional partnership boards and other service specific partnerships.**

Reviewing public bodies' current approach for conducting EIAs

R4 While there are examples of good practice related to distinct stages of the EIA process, all public bodies have lessons to learn about their overall approach. **Public bodies should review their overall approach to EIAs considering the findings of this report and the detailed guidance available from the EHRC and the Practice Hub. We recognise that developments in response to our other recommendations and the Welsh Government's review of the PSED Wales specific regulations may have implications for current guidance in due course.**



Supporting arrangements for conducting EIAs

01

- 1.1 Conducting an EIA can be complicated. Good support can help make the process of conducting EIAs easier and more effective by having a clearly spelled-out approach and process, underpinned by clear guidance and training. And public bodies can have expert advice to hand to support those involved in assessing the impacts of decisions.

Setting out the organisation's approach to EIA

What we looked for

A clearly spelled-out approach to EIA for the organisation, including whether the EIA should form part of a wider integrated impact assessment.

What we found

Almost all public bodies had a set process for conducting an EIA, although these vary from a stand-alone EIA to producing integrated impact assessments covering a wide and varying range of other legal duties and policy priorities.



Strategic equality plans

- 1.2 All 44 public bodies met the requirement to produce a Strategic Equality Plan (SEP). The SEP must include an organisation's equality objectives, how they will measure progress on meeting objectives, and how they will promote knowledge and understanding of the general and specific duty. The SEP must also set out the public bodies' arrangements for assessing the likely impact of policies and practices on their ability to meet the PSED. However, in our review of SEPs we found that only 17 of the 44 bodies did so and to varying degrees of detail.
- 1.3 A few public bodies have gone further than simply describing arrangements. For example, Conwy County Borough Council's SEP describes in detail its process for EIA, how its Cabinet uses EIAs to support decision-making, and scrutiny committees' role in ensuring the quality of EIAs. The Council's SEP also explains how it has used EIAs to inform its equality objectives.

Organisational approach – integrated and stand-alone assessments

- 1.4 Nearly all public bodies (42 of 44) have a set process for undertaking EIAs. Most said that they put information on intranet sites, alongside supporting documents, contacts and most often a Word template for completion. Our review of EIAs found no standard format across public bodies, although most closely followed the approach set out in the Practice Hub. Members of the North Wales Public Sector Equality Network⁸ have worked together to develop a standard template which most members of the network have adopted at least in part.
- 1.5 In around two-thirds (30 of 44) of public bodies we spoke to, the EIA forms part of a wider integrated impact assessment. There is no common approach to integrated impact assessments and no national guidance on what should be covered. There are some assessments that public bodies commonly include alongside the PSED (**Exhibit 3**). Some include other legal duties as well as policy priorities and practical considerations, such as finance. For example, the Welsh Government's integrated impact assessments sometimes cover climate change impacts, health impacts and economic impacts as well as a wide range of other legal duties, depending on the nature of the policy or practice.

8 The North Wales Public Sector Equality Network is an informal network of public bodies working together to advance equality. Representation includes North Wales local authorities, Betsi Cadwaladr University Health Board, North Wales Police and Police Authority, North Wales Fire and Rescue Service, Welsh Ambulance Services NHS Trust, and Snowdonia National Park Authority.

Exhibit 3: assessments commonly included in an integrated impact assessment alongside the EIA

Well-being of Future Generations	The Well-being of Future Generations (Wales) Act 2015 introduced seven well-being goals for Wales. It also established the sustainable development principle and five ways of working – long-term, integration, involvement, collaboration, and prevention – to demonstrate application of the principle. An integrated impact assessment may also include an assessment of the policy or practice against the seven goals, public bodies' individual well-being objectives and/or the five ways of working specified in the Act.
Welsh Language	The Welsh Language (Wales) Measure 2011 declares that the Welsh language has official status in Wales. It makes provision to promote and facilitate the use of the Welsh language and to treat Welsh no less favourably than English through the Welsh language standards. Part of applying the standards means that public bodies must consider the effects their policy decisions on the Welsh language.
Environmental impacts	There are various duties to carry out environmental impact assessments depending on the nature of the proposed policy or practice. These range from strategic assessments of plans and programmes to assessments of projects that potentially impact on habitats and biodiversity.
UN Convention on the Rights of the Child	The Rights of Children and Young Persons (Wales) Measure 2011 embeds consideration of the United Nations Convention on the Rights of the Child and the optional protocols into Welsh law. The UN Convention consists of 41 articles, which set out a wide range of types of rights including rights to life and basic survival needs, rights to development including education and play, rights to protection, including safeguarding from abuse and exploitation, and rights to participation and express opinions.

Socio-economic	The Socio-economic duty came into force on 31 March 2021. When making strategic decisions, such as deciding priorities and setting objectives, public bodies must consider how they can reduce inequalities associated with socio-economic disadvantage.
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- 1.6 Most integrated impact assessments involve collating separate impact assessments into a document template. Few seem to be a truly integrated impact assessment. Some public bodies are trying to make the connections between assessments and reduce duplication. For example, Carmarthenshire County Council, Powys County Council, Gwynedd Council, Denbighshire County Council and Wrexham County Borough Council have each developed, or are developing, an IT solution to bring together the relevant information needed to inform an integrated impact assessment.
- 1.7 Very few public bodies solely assess the impact on the PSED even when they do not consider their assessments to be integrated. In those public bodies that report having a standalone EIA process, the EIA often also includes Welsh-language and socio-economic impacts.
- 1.8 Previous research has found length is a barrier to the use of impact assessments in decision-making⁹. It was hard for us to judge any EIA or integrated impact assessment as too long as many factors affect the length including the nature of the policy or decision and the number of assessments undertaken. We reviewed some documents that were very long; for example, the integrated impact assessment of the Welsh Government's remote working policy was 45,000 words (average reading time 2.5 hours). The majority for which a word count was easily identifiable ranged between 2,500 and 7,500 words (average reading time 8 to 25 minutes).
- 1.9 Most public bodies that have chosen not to integrate their assessments had considered the option. Reasons for not integrating assessments included a concern that there would be insufficient regard to the PSED. This may be a valid concern. Our review suggests that, in some cases, the PSED is covered in limited detail and appeared secondary to other considerations even though all the public bodies we spoke to who conduct integrated impact assessments felt they sufficiently covered the equality element.

⁹ Grace, C., Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government, Public Policy Institute for Wales, February 2016.

Specialist support and expertise

What we looked for

That there is specialist support and expertise available in the organisation to those conducting EIAs.

What we found

In most cases, policy leads are responsible for conducting EIAs and can access support from colleagues with knowledge in equality related issues and an in-depth understanding of the organisation's process for conducting an EIA.



- 1.10 In almost all public bodies, responsibility to undertake an EIA lies with the lead officer developing or reviewing a policy or practice. This is partly pragmatic, due to the number of EIAs public bodies conduct. Equality officers told us this approach meant that EIAs benefitted from policy leads' expertise on the topic area. However, they identified drawbacks, including the difficulty of ensuring consistency, getting EIAs started at the right time and ensuring quality.
- 1.11 All public bodies have equality officers (or equivalent) with knowledge in general equality issues and a detailed understanding of the organisation's EIA process. In all public bodies, staff conducting EIAs can ask equality officers for guidance when required. EIAs are mostly conducted without the input of an equality officer. The process at Aneurin Bevan University Health Board is one exception to this, where the first step for anyone who thinks they need to undertake an EIA is to contact the Equality Diversity and Inclusion specialist to discuss the proposed policy or practice and agree what actions they need to take, with ongoing support also provided. In smaller public bodies, where an EIA is more likely to relate to staff policies and decisions, the lead for conducting the EIA is frequently an HR officer who is also the equality officer.

Guidance to support those conducting an EIA

What we looked for

That there is guidance to support those conducting an EIA, setting out what they need to do and when, in line with the duties and their organisation's chosen approach.

What we found

There is non-statutory national guidance and support available setting out some good practice in the stages of an EIA, although there are gaps, notably in terms of integrated impact assessments. Most public bodies have also produced their own guidance to support their EIA process.



External guidance

- 1.12 The Welsh Government has not published statutory guidance on the application of the PSED in Wales or the Welsh specific duties. The EHRC published non-statutory guidance on the Welsh specific duties in 2014. Welsh Government guidance encourages public bodies to integrate different duties. But there is no specific national guidance on how to conduct integrated impact assessments and what should be included.
- 1.13 The Welsh Government, Welsh Local Government Association, and NHS Centre for Equality and Human Rights jointly developed the Practice Hub in 2015-16. This online resource provides information and support to public bodies in Wales to undertake EIAs. It provides a detailed eight step guide to good practice in undertaking EIA and gives information on the Welsh specific duties.

Internal guidance

- 1.14 Internally, most public bodies have produced guidance to support their EIA process. The format and detail of the guidance and quality vary across public bodies. Some provide step-by-step guidance which outlines the process and steps for completing an EIA. Some embed practical information and links within templates.
- 1.15 A few public bodies do not provide guidance on their individual processes. Some of these provide direct one-to-one support from an equality officer (or equivalent) to the individual completing the assessment. Others signpost staff to the external guidance on the Practice Hub.

Training

What we looked for

That training on conducting an EIA is available for staff involved in developing EIAs and those that use them for decision-making.

What we found

Most public bodies offer training to those involved with EIAs through a variety of media.



- 1.16 Around two-thirds (31 of 44) public bodies we spoke to provide formal training to officers who are likely to complete or have an interest in EIA. This training frequently extends to elected members, board members and decision-makers.
- 1.17 Methods of training vary. Some offer face-to-face delivery of training, with much of this via video calls since the start of the COVID-19 pandemic. Many public bodies include online modules and e-learning tools on equality, and EIAs as part of their general staff training. Those public bodies that do not offer formal training nevertheless provide one-to-one support to individuals conducting EIAs and upskill them through the process.

Quality assurance

What we looked for

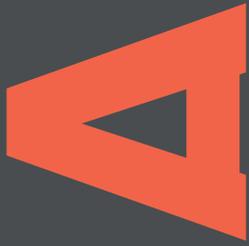
An approach to ensuring the quality of the EIA process.

What we found

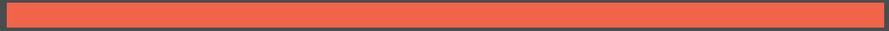
Half of public bodies had an approach to quality assurance, which varied from a simple sign-off on individual EIAs to more comprehensive peer learning to support improvement of the whole EIA process.



- 1.18 Half (22) of the public bodies have a quality assurance process in place for their EIA. The approach varies greatly. For some, quality assurance is about the quality of individual EIAs. Some require an EIA to be signed off by a senior officer. In Cardiff and Vale University Health Board, the lead officer conducting the EIA will work with an equality officer and a representative from Public Health Wales to review and interrogate the content of the EIA during its development. Other public bodies have begun to take a 'peer review' approach to developing EIA with input from experts from across the organisation.
- 1.19 A small number of public bodies use quality assurance to test the quality of their overall approach. For example, the Arts Council of Wales conducts an annual sample review of EIAs and uses the findings to improve the process.



Assessing impacts



02

- 2.1 The Wales specific duties require listed public bodies to assess the likely impact of proposed policies and practices, or those under review, on their ability to comply with the PSED. In doing so, they must have regard to certain types of information that they hold and meet specific requirements to engage with people or organisations that represent people with one or more protected characteristics. EHRC guidance and the Practice Hub set out in detail the steps public bodies can take to fulfil these requirements.

Screening

What we looked for

A clear approach to determining if an equality impact assessment is required.

What we found

Just over half of public bodies have a process for screening although many have stopped using screening, some due to risk of confusion or 'gaming' by staff.



- 2.2 There are no statutory exemptions setting out policies and practices that do not need to be assessed. However, the EHRC guidance and the practice hub include a 'screening' process to determine which policies or practices should have a full EIA.
- 2.3 Just over half (24 of 44) of public bodies we spoke to said that they have a screening process. Screening is most often a document template which an officer developing or reviewing a process or policy uses to determine whether they anticipate any impact on protected groups. The approach ranges in practice from a separate short impact assessment to a set of screening questions at the beginning of the full assessment template which determine whether to proceed with the full EIA.
- 2.4 Where a body decides it does not need a full EIA, they will usually retain a copy of the screening tool as evidence that it has considered the PSED. Most public bodies with a screening process will document the decision not to go ahead with a full EIA in the supporting papers that go to the cabinet or board.

- 2.5 Most often, the policy lead keeps the detailed record of screening. However, a few public bodies are trying to strengthen practice and ensure central records are maintained. For example, Cardiff Council has developed an online assessment tool to support policy leads through the process and encourage consideration of impact at the earliest stages of policy development. As well as sending advice and guidance to the officer completing the online assessment, the tool also sends a copy of the screening information to the equality officers.
- 2.6 The 20 public bodies who do not have a screening process had often consciously removed the screening step. Many said screening was an unnecessary step, as there are very few of their decisions that will not have potential to impact on the PSED. Some public bodies said that there was also scope for confusion, with lead officers completing a screening form, thinking it was an EIA. Others were concerned that some officers may 'game' the process: tailoring their responses to screening in a way designed to result in a decision that no further assessment was required.
- 2.7 Those public bodies that do not have a screening process usually provide additional guidance or a process chart, clarifying when to conduct a full EIA. All public bodies also offer the lead officer an opportunity to consult with an equality officer.

Timing

What we looked for

EIAs being started at an early stage to inform the development of a policy or decision.

What we found

All public bodies intend to carry out an EIA as early as possible, but many recognise this is often not the case in practice, and in some cases EIAs are very late in the policy development or decision-making process.



- 2.8 All 44 public bodies intend that EIAs should be started as early in the development or review of a policy as possible. But many public bodies acknowledged that this often does not happen in practice.
- 2.9 The timing of EIAs is affected by whether policy leads know that they are required to do an EIA and if resources – staff and time – are available at the appropriate point. Sometimes, if public bodies must make decisions very quickly, they either do not do an EIA or do them late in the decision-making process. This can be too late to consider changing a policy to lessen any possible negative impact or to build on positive impacts.
- 2.10 Decisions at the start of the COVID-19 pandemic were often made without an EIA. This reflected the urgency of decisions but meant that the impact on vulnerable people was not formally assessed. In August 2020, the Senedd’s Equality, Local Government and Communities Committee¹⁰ recommended that the Welsh Government should ensure that each major policy or legislative decision is accompanied by an effective equality impact assessment, and an analysis of the impact on human rights. The Welsh Government accepted the recommendation, and since August 2020 has published dozens of impact assessments related to the COVID-19 pandemic on its website.

¹⁰ Senedd Equality, Local Government and Communities Committee, Into sharp relief: inequality and the pandemic, August 2020.

- 2.11 In most public bodies, papers accompanying decisions that go to cabinets or boards contain a box or section that refers to consideration of the equality duties. This serves as a backstop to prevent public bodies from making decisions without any regard to the duties, even though this generally would be very late in the process.

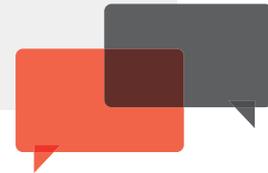
Use of evidence

What we looked for

Use of a range of evidence to support the assessment, including the views of those likely to be impacted and data on lived experience.

What we found

Public bodies use a mix of evidence, although there are gaps in available data on some protected characteristics and the inclusion of the views and lived experiences of people with protected characteristics is patchy.



Quantitative data

- 2.12 EIAs need a sound evidence base to inform their conclusions. The depth and detail of the information base vary across organisations and by assessment. The depth of information and analysis often depends on the scale of the decision and the availability of relevant and specific evidence.
- 2.13 All public bodies expect to include some quantitative data, such as demographic information or service level data. Around two-thirds (29 out of 44) of public bodies include at least some examples of internal information sources and point to publicly available data in their guidance and templates. Some go further. For example, Merthyr Tydfil County Borough Council includes in its guidance a detailed list of sources where policy leads can find relevant evidence, with embedded links to external data sources.
- 2.14 There are some significant data gaps in the data that is available to public bodies. Generally, there is little information available about some protected characteristics, particularly sexual orientation, gender reassignment, and pregnancy and maternity. Data that is available at a national level is sometimes not available at a health board, council, or ward level, which makes it difficult for public bodies to understand their local populations with protected characteristics.

Qualitative information

- 2.15 The inclusion of qualitative information based on the views and experiences of people with protected characteristics is also patchy. When introducing new policies or changing services public bodies often undertake a consultation exercise. In the examples we saw, these were often targeted to the public in general, and it was difficult to see if the public body had sought to engage specifically with people from protected groups.
- 2.16 Nonetheless, we did see examples of EIAs where evidence from engagement with groups was covered. For example, when Snowdonia National Park Authority undertook an EIA on its communication and engagement strategy, the assessment considered how the strategy could engage with people who speak languages other than English or Welsh. It also considered impacts on those who were digitally excluded, a group that is more likely to include older people and more women than men.
- 2.17 Some respondents to our general call for evidence said that drawing more on the views and experience of people with protected characteristics would improve the quality of EIAs. This includes engaging with individuals and grassroots organisations as well as national organisations representing protected groups. Some respondents said that public bodies should do more to publicise consultations by a range of means, including but not restricted to social media.
- 2.18 Some all-Wales third sector bodies responding to our call for evidence said that they were often asked to provide views for EIA and that some cannot respond to all the requests they receive. Sometimes they do not have information on local services and impacts.
- 2.19 A few public bodies are trying to draw on the lived experience of people with protected characteristics through different forms of consultation. Some use existing networks for staff with protected characteristics to understand different perspectives. Others, draw on existing relationships with third sector groups to understand the lived experience.

Identifying and mitigating likely impacts

What we looked for

Clear identification of likely impacts, including positive impacts in promoting equality, as well as negative ones.

Some consideration of cumulative impacts arising from other decisions that impact the same group or groups and how different protected characteristics combine (intersectionality).

Clear recommendations for mitigating negative impacts that have been acted on before the decision is made.

What we found

While there are examples of public bodies identifying specific impacts, often EIAs describe impacts in very broad terms. Very few identify the cumulative impacts of multiple decisions on groups or consider how different protected characteristics intersect. Very few can show how recommendations for mitigating impacts are followed through.



Specific impacts

- 2.20 Positively, our review of EIAs found examples of public bodies clearly identifying specific likely impact of policies or practices on protected groups. However, many EIAs included statistics to describe the population of people with protected characteristics without being clear how the policy or practice would likely impact on them. We also observed a tendency for EIAs to focus on negative impacts, thereby missing positive impacts and opportunities to improve cohesion and reduce inequalities.
- 2.21 We found that most EIAs reviewed provided data and information on each protected group separately. For example, the EIA on Conwy County Borough Council's Older Peoples' Domiciliary Care Finance and Commissioning Project set out the likely impact on people with each protected characteristic.

2.22 Most public bodies' approaches to EIA involve making recommendations to overcome negative impacts. Public bodies should incorporate mitigating actions into the policy development process, recognising it is not always possible to mitigate all negative impacts, such as with reductions in service. Very few public bodies have a process in place to track whether they have implemented the mitigating actions, after a decision is taken. In Hywel Dda University Health Board, the EIA has an associated action plan with a review date. In Aneurin Bevan University Health Board the Equality, Diversity, and Inclusion specialist keeps a database of actions arising from EIAs for monitoring purposes.

Intersectionality

2.23 Increasingly, it is understood that inequality is intersectional. People's characteristics interact in a complex way to give a unique experience of inequality. For example, the experience of a Muslim woman cannot separate 'female' and her experience as a Muslim. It will differ from that of a Muslim man and of a non-Muslim woman. However, we did not see examples of such nuanced understandings of inequality in the examples we reviewed.

Cumulative impacts

2.24 Public bodies in Wales make many decisions each year that, taken together, can be very detrimental to people from protected groups. For example, one respondent to our call for evidence gave the example of how individual decisions to reduce or close facilities and services such as public toilets, library services, day centres, and bus services had a cumulative impact on many older people who use the services. They said that, while each individual decision might not be significant, together they meant that some older people were becoming isolated.

2.25 The few instances we found where public bodies have begun to give thought to cumulative impacts tend to be when public bodies are making several decisions at the same time. For example, councils usually undertake a cumulative approach to assessing the impacts of their proposed budget each year. Individual service changes being proposed because of budget changes are assessed simultaneously allowing a better overview of potential impacts for the budget.

2.26 Typically, however, public bodies make decisions separately. One of the respondents to our call for evidence to decision-makers highlighted that it is difficult in principle to predict the likely impacts of multiple decisions in a complex landscape. Practically, the ability to take account of impacts from other decisions relies on the policy lead knowing about other decisions within an organisation and having access to the EIAs. A small number of public bodies are trying to address this information gap by using an IT solution to undertake the EIA (**paragraph 1.6**). This way, the assessment of impact for each policy change and decision is held centrally, making it easier for policy leads to bring together the information.

Decision-making

What we looked for

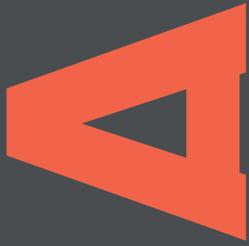
That the EIA and likely impacts it identifies are considered at the point of decision-making.

What we found

Equality officers' views varied around the extent to which their organisations prioritised the EIA in decision-making. Most respondents to our general call for evidence said public bodies did not pay sufficient regard to protected characteristics. The small number of responses from decision-makers suggest a view that the EIA is seen as a 'tick box exercise'.



- 2.27 The consideration given to EIAs in decision-making varies across public bodies in Wales. In general, equality officers felt that decision-makers take assurance in knowing that the policy lead has completed an EIA. Decision-makers will have access to a summary or the complete EIA accompanying each decision in their cabinet or board papers.
- 2.28 The equality officers we spoke to had mixed views over the extent to which their organisations placed sufficient weight on the EIA in decision-making. Over three-quarters of respondents to our general call for evidence who answered the question (29 of 37) disagreed that public bodies in Wales give appropriate due regard to people with protected characteristics when developing policies or making changes to services.
- 2.29 Generally, equality officers were not aware of instances where decision-makers challenged the content or recommendations of an EIA at the point of decision. Most felt that the accompanying EIA should have considered and shaped the policy sufficiently that there would be no need for such challenge at that late stage.
- 2.30 We only received ten responses to our call for evidence from decision-makers. While it is hard to draw conclusions from such a limited evidence base, it is notable that three of the ten referred to EIAs being used like a 'tick box'.



Reporting and monitoring impacts

03

- 3.1 Public bodies must publish reports of the assessments where they show a substantial impact (or likely impact) on their ability to meet the PSED. They must also monitor the actual impact of the policies and practices subject to an equality impact assessment.

Reporting

What we looked for

Public information about decisions and a clear description of how the EIA has influenced the decision-making.

What we found

Most public bodies publish some of their EIAs as part of a wider set of papers and they are often not easy to find.



- 3.2 Almost all public bodies in Wales publish their EIAs, at least in part. Typically, they publish EIAs with decision-related papers, such as cabinet or board papers. There is usually a section on the body's website which holds all the papers for each meeting and is accessible to the public¹¹. There are a few exceptions in some of the smaller public bodies, who do not routinely publish their EIAs.
- 3.3 It can often be difficult to find EIAs which relate to a specific decision on public bodies' websites. The EIAs which feature more prominently and are easier to locate often relate to strategic decisions such as budgets or key corporate strategies. Newport City Council have tried to bring EIAs into a central location on their website to make them more easily accessible, while recognising that this approach relies on the individuals completing EIAs sharing them for publication, which sometimes does not happen.

¹¹ In some instances, bodies do not publish EIAs if they form part of a paper that is held back from publication due to its confidential or sensitive nature. However, these EIAs can sometimes be obtained via a Freedom of Information request if someone has a particular interest in seeing them.

Monitoring impacts

What we looked for

A clear approach to monitoring the impacts of the decision after it is implemented, including those identified as part of EIA as well as any unexpected impacts.

What we found

Very few public bodies monitor the impact of the decisions in the context of the PSED.



- 3.4 Some public bodies require those completing EIAs to identify a review date when monitoring is supposed to occur. We saw examples where EIAs set out plans for monitoring. For example, a Powys Teaching Health Board EIA included plans for monitoring service use after a change in surgery opening hours and for an independent evaluation of the service change. Also, Conwy County Borough Council's EIA for its review of domiciliary care included detailed arrangements for monitoring the impact using data and information that are routinely reported, including individual feedback from people receiving care.
- 3.5 However, equality officers had seen little evidence of the impact of policies and practices being monitored in light of the EIA. Those public bodies that outlined a monitoring process were often referring to the monitoring of an implementation of a policy or practice against its objectives or targets, not the impact that the decision had on people with protected characteristics.
- 3.6 In general, public bodies do not consider the impacts of policies and practices in terms of the PSED until there is another decision due on the same policy or practice. At that point, the body conducts a new EIA. Many of the equality officers we spoke to seemed unsure about how, in practice, they would monitor the impact of a decision on protected groups and would welcome more guidance.

Challenging EIAs

What we looked for

That the organisation identifies and applies lessons from any challenge to decisions on the basis of equality or the quality of the EIA.

What we found

Many equality officers did not think there had been any challenges to EIAs conducted by their organisation, but where there has been challenge some public bodies are using it as a learning opportunity.



- 3.7 Decisions made by public bodies can be challenged based on the EIA. Public bodies that do not have a clear record showing that they have considered the likely impacts of their decisions for people with protected characteristics leave themselves open to challenge. This could potentially include a judicial review. Some equality officers did not know what process someone would use to challenge an EIA. The majority said that any challenges would go through their general complaints process, with the involvement of the relevant service, equality officers and legal team.
- 3.8 Many equality officers thought there had not been any challenge to an EIA conducted by their organisation. Those that were aware of challenge taking place said that it was something that happens infrequently. Almost half of respondents to our general call for evidence who answered the question (17 of 35) said they had challenged some aspect of an EIA. We do not know if this was a formal or informal challenge.
- 3.9 Equality officers who had experienced challenge to an EIA said their organisation can resolve the issues either by making changes to a policy or practice, or by providing evidence that they had considered the impacts. Respondents to our general call for evidence gave examples of issues they raised being resolved. For example, one had objected to the EIA conducted on a new bus interchange because the council had not sought the views of people with protected characteristics on the proposals. Following their intervention, people with low vision visited the site and suggested changes to make the interchange more accessible.

3.10 While there are positive examples of public bodies responding to challenge, several respondents to our general call for evidence who had challenged aspects of an EIA reported not receiving any response to their challenge. A few equality officers told us that their organisation had learnt from the experience of having an EIA challenged. One had used examples of challenge from other public bodies to inform its EIA training as a particularly useful way of making impacts more easily understood to lead officers conducting EIAs.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Audit approach

Our main aim was to provide insight about the approach to EIAs undertaken across the public sector in Wales. We wanted to highlight good practice and identify opportunities to improve. To help shape our thinking about what good practice to look for, we drew heavily on existing guidance materials, in particular that produced by the Equality and Human Rights Commission (EHRC) and the [Equality Impact Assessment in Wales Practice Hub](#) hosted by Public Health Wales NHS Trust.

We set out to explore to what extent public bodies have integrated their approach to undertaking EIAs, including the new socio-economic duty and the cumulative impact of decisions. We also explored what difficulties public bodies experience that affect the quality and timeliness of EIAs. We looked at how public bodies monitor the impact of decisions on their population. Each of the sub-sections in the main body of this report describes what we were looking for through our work.

In looking across the public bodies, we focused on the 44 public bodies originally subject to the Well-being of Future Generations (Wales) Act 2015. The Auditor General for Wales is the external auditor of each of these bodies, which include local authorities, health boards and some NHS trusts, national parks, and fire and rescue services. They also include the Welsh Government and some of its sponsored bodies. Our audit coverage did not include education bodies – further education, higher education or maintained schools – that are subject to the PSED. It also did not include the four Corporate Joint Committees (CJCs) established by the Local Government and Elections (Wales) Act 2021 and which are subject to the PSED.

Audit methods

Document review: We reviewed documents from each of the 44 public bodies, including those relating to the equality plans and details of the organisation's EIA process. We also reviewed details of their process for integrated impact assessments. We reviewed a sample of 29 EIAs provided by public bodies: 11 by local authorities, eight by health bodies, two fire and rescue, two national parks and six by the Welsh Government or its sponsored bodies.

Interviews: We interviewed the equality officers or their equivalent in each of the 44 bodies. We have used the term 'equality officer' throughout this report to refer to staff in public bodies with specific lead specialist roles for equality, whether that be their full-time job or part of their role. The way these roles are structured, and their seniority, varies.

Call for evidence: We sought wider views about people's experience of EIAs through a call for evidence between October 2021 and June 2022. We publicised this generally and in particular to third sector organisations. We received 40 responses, 23 from individuals and 15 responding on behalf of an organisation (two did not say).

We also sought the views of decision-makers through a separate call for evidence open between February and June 2022. We received ten responses (eight from individuals working in local authorities, one health and one fire and rescue).

While the responses we received to the calls for evidence are not necessarily representative of individuals, the third sector or decision-makers, they have provided useful detail which we have included through the report and which informed our overall analysis.

Stakeholder engagement: The EHRC is responsible for promoting and enforcing equality and non-discrimination laws. We met with officials in the EHRC Wales Team regularly throughout our work, discussing our scope and emerging findings. We also met with the Welsh Local Government Association's equality network and the Chair of the All-Wales NHS Equality Leadership Group. We interviewed officials from the Welsh Government with responsibility for equality policy.

Wider audit intelligence: We drew on existing intelligence from our local financial and performance audit work, where that was relevant to equality impact assessments.



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The National Fraud Initiative in Wales 2020-21

Report of the Auditor General for Wales

This is an interactive pdf

To navigate through the document please
use the buttons on the left side of the page
and the links marked with underlined text





Key messages

Key messages



Outcomes

Since we last reported on the National Fraud Initiative (NFI) in Wales in October 2020, outcomes valued at £6.5 million have been recorded. The cumulative total of outcomes from the NFI in Wales since NFI started in 1996 are now £49.4 million. Across the UK, the cumulative total of NFI outcomes is now £2.37 billion.

NFI outcomes in Wales decreased by £1.5 million to £6.5 million in the 2020-21 exercise. This was primarily because fewer ineligible claims for Council Tax Single Persons Discount and Housing Benefit claims were detected, reflecting the fact that some local authorities started review of NFI matches later than normal due to Covid-19 pressures.

Results

Data sharing enables matches to be made between bodies and across national borders. Data submitted by Welsh bodies for the 2020-21 NFI exercise helped organisations in other parts of the UK to identify 153 cases of fraud and error with outcomes of £183,045.

While the majority of Welsh NFI participants display a strong commitment to counter fraud, 13 of the 22 Welsh local authorities identified 95% of the fraud and error outcomes achieved by the sector. This suggests that some local authorities have either failed to recognise the importance of the exercise or are unwilling to allocate adequate, skilled counter-fraud resources to investigate the NFI matches.

Process

One Welsh local authority, Cardiff Council, agreed to participate in an exercise designed to identify fraud and error in applications for COVID-19 business support grants by verifying applicant bank details and trading status. These checks helped to identify outcomes of just under £0.6 million relating to 41 fraudulent or erroneous applications.

Key messages**Outcomes****Results****Process****Recommendations**

▶ All participants in the NFI exercise should ensure that they maximise the benefits of their participation. They should consider whether it is possible to work more efficiently on the NFI matches by reviewing the guidance section within the NFI secure web application.

▶ Audit committees, or equivalent, and officers leading the NFI should review the NFI self-appraisal checklist. This will ensure they are fully informed of their organisation's planning and progress in the 2022-23 NFI exercise.

▶ Where local auditors recommend improving the timeliness and rigour with which NFI matches are reviewed, NFI participants should take appropriate action.

Outcomes

Key messages

NFI outcomes

NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. NFI uses data sharing and matching to help confirm that services are provided to the correct people.

An NFI outcome describes the overall amounts for fraud, overpayments and error that are detected by the NFI exercise and an estimate of future losses that it prevents.

The NFI recorded outcomes of £6.5 million in 2020-21.

Outcomes



Results

<p>£ NFI outcomes cumulatively in the UK since 1996-97</p> <p>£2.37 billion</p>	<p>£ NFI outcomes cumulatively in Wales since 1996-97</p> <p>£49.4 million</p>	<p>£ NFI outcomes across the UK from the 2020-21 exercise</p> <p>£443 million</p>	<p>£ NFI outcomes in Wales from the 2020-21 exercise</p> <p>£6.5 million</p>
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Process

Key messages

Outcomes



Results

Process

Trends in outcomes

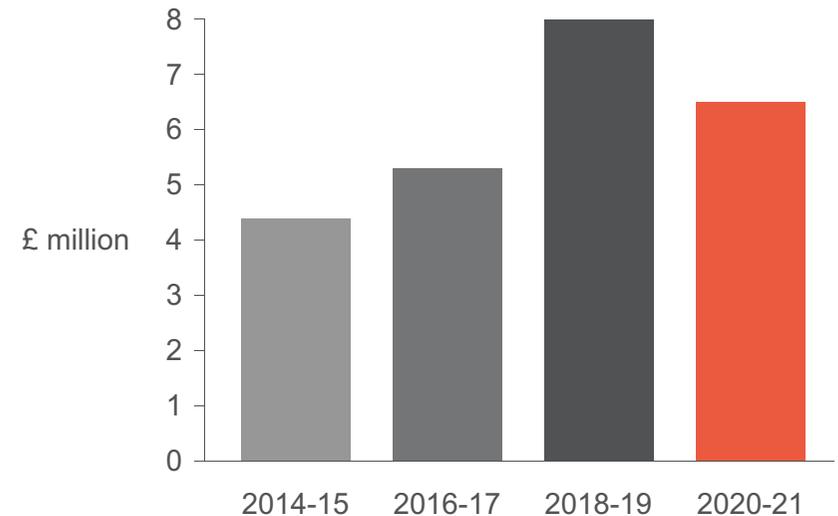
Outcomes in Wales have decreased by £1.5 million to £6.5 million in the 2020-21 exercise. Reasons for the decrease in outcomes include:

- the number of fraudulent or erroneous claims for Council Tax Single Persons Discount detected fell from 3,939 in the 2018-19 exercise to 1,987 in the 2020-21 exercise, resulting in outcomes in this area reducing by £2 million; and
- the number of fraudulent or erroneous claims for Housing Benefit detected fell from 179 in the 2018-19 exercise to 82 cases in the 2020-21 exercise, resulting in outcomes in this area reducing by £0.6 million.

The above fall in outcomes was offset in part by:

- an increase in the number of fraudulent or erroneous applications for social housing detected from 74 in the 2018-19 exercise to 237 in the 2020-21 exercise, resulting in increased outcomes of £0.6 million; and
- the detection of 43 fraudulent or erroneous claims for COVID-19 business support grants resulting in cumulative outcomes of £0.6 million.

Outcomes of £6.5 million were identified in the 2020-21 exercise



While overall outcomes have fallen, this is in part because many NFI participants started review of NFI matches later than normal due to work pressures arising from the COVID-19 pandemic.

The only UK nation which saw an increase in 2020-21 NFI outcomes was England. This increase was due to a significant increase in pension outcomes from matching UK-wide pension scheme data.

Late savings arising from NFI 2020-21 will be reported as part of the NFI 2022-23 exercise.

Key messages

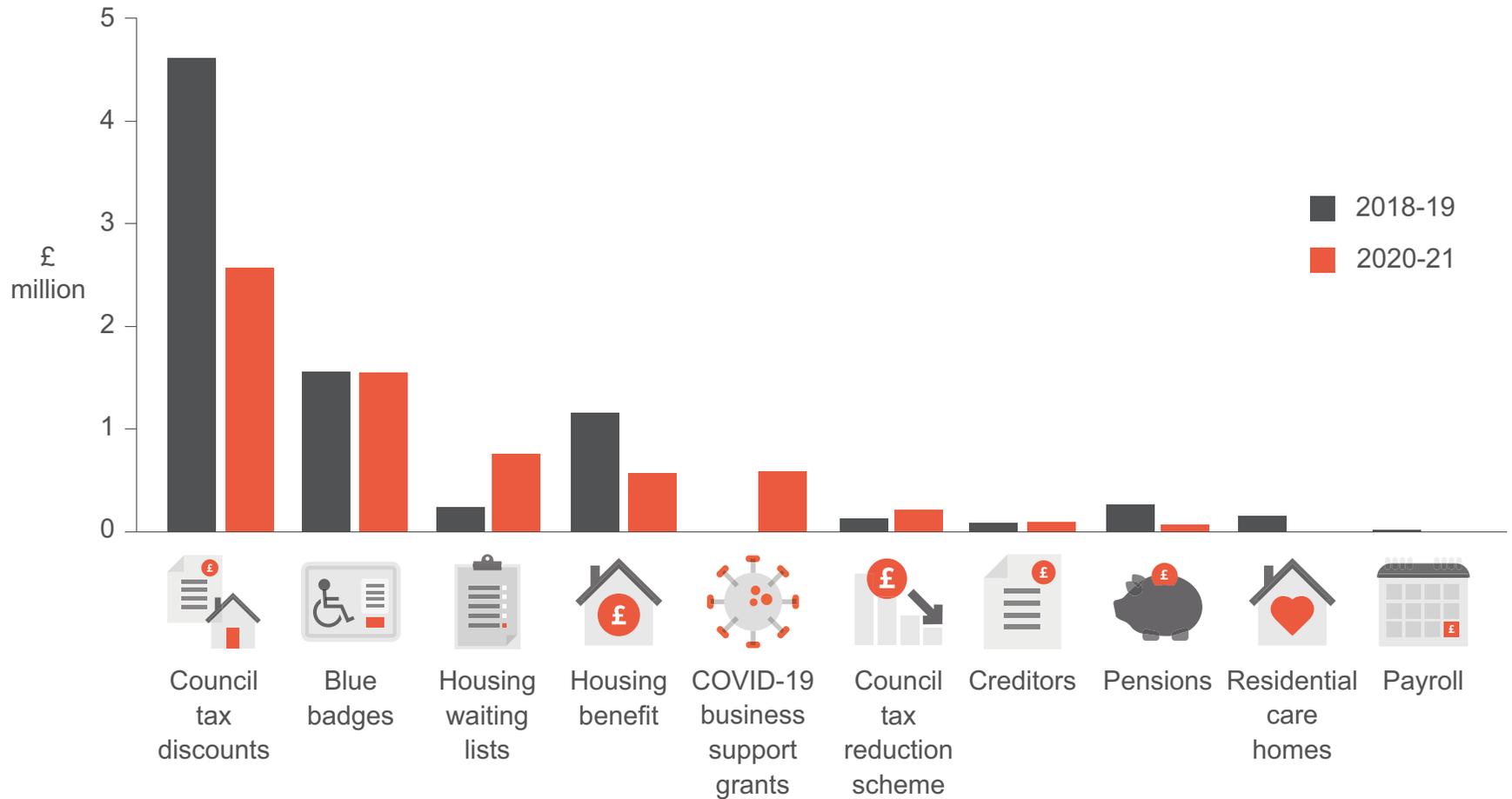
Outcomes



Results

Process

How the latest outcomes compare to the last exercise



Key messages

Seven areas generated almost 98% of outcomes

The areas which generated the most outcomes from the current exercise are as follows:

Outcomes



Results

Category	£	Cases
Council tax discounts	£2.6m	1,987
Blue badges	£1.4m	2,717
Housing waiting lists	£0.8m	237
Housing benefit	£0.6m	84
COVID-19 business support grants	£0.6m	43
Council tax reduction scheme	£0.2m	214
Creditor payments	£0.1m	9

Process

Once overpayments have been identified, public bodies can take appropriate action to recover the money. As at 31 March 2022, 81% of overpayments had been recovered or were in the process of being recovered.

Results



Council tax discounts

Key messages

Outcomes

Results



Process

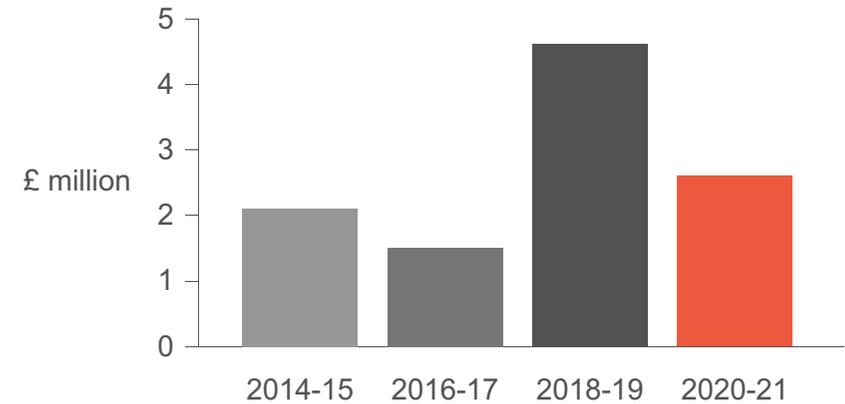
People living on their own, or with no countable adults in the same household, are eligible for a 25% single person discount (SPD) on their annual council tax bill.

Council tax SPD data is matched to electoral register data to help find where people are receiving the discount, but are not the only countable adult at their residence.

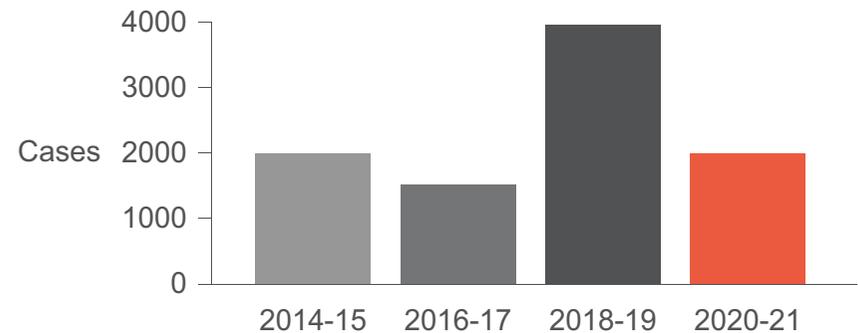
The 2020-21 NFI exercise found that the total council tax discount incorrectly awarded across Welsh local authorities totalled £2.6 million. This is an average outcome of £1,305 for each case (£1,003 per case in the 2018-19 NFI). Review of the NFI matches led to the cancellation of 1,987 SPD claims.

While the number of fraudulent or erroneous SPD claims detected fell from 3,939 to 1,987 in the current exercise, this is partly due to investigation of the matches being delayed due to the COVID-19 pandemic. Many claims have been cancelled since the cut-off date for reporting the NFI 2020-21 exercise and these 'late results' will be reported within NFI 2022-23.

Outcomes of **£2.6 million** in 2020-21



1,987 cases in 2020-21



Key messages

Outcomes

Results



Process

Pensions



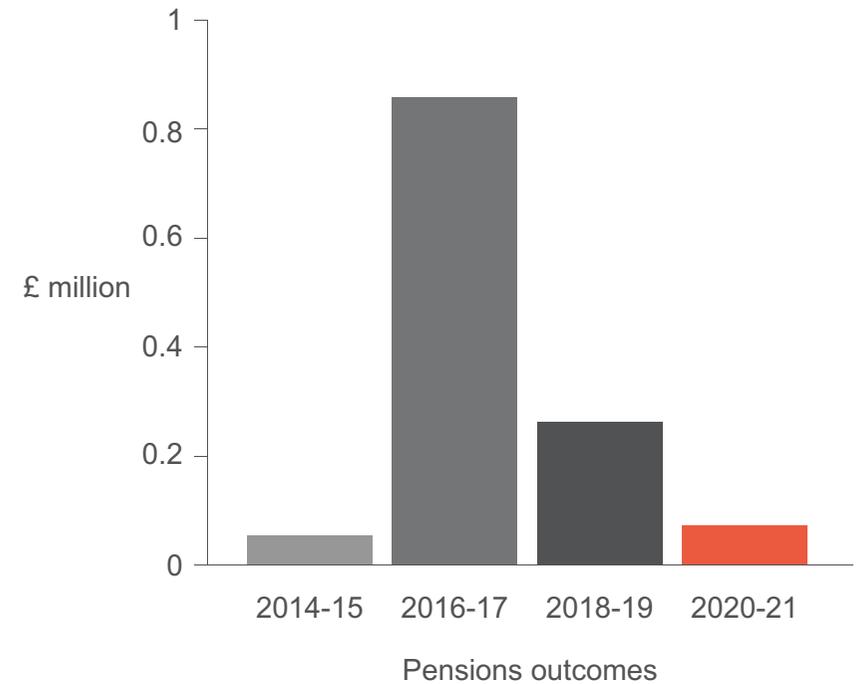
The NFI provides local authorities that administer pensions with an efficient and effective way of checking that they are only paying people who are alive.

The exercise found nine instances where pensions had remained in payment after pensioners had died compared to ten cases in NFI 2018-19.

In total, pensions outcomes for the 2020-21 NFI exercise are £0.073 million.

This is a reduction of £0.26 million from the 2018-19 NFI exercise, and reflects the continuing impact of the ‘tell us once’ reporting process which is ensuring that local authorities become aware of the decease of pensioners earlier. While the number of cases detected by NFI has remained almost unchanged from NFI 2018-19, the average value of each case has fallen from £26,396 to £8,160, because the period of time pensions remained in payment after pensioners’ death was shorter.

Outcomes of **£0.073 million** in 2020-21





Key messages

Outcomes

Results



Process

Housing benefit

The NFI provides local authorities and the Department for Work and Pensions (DWP) with the opportunity to identify a wide range of benefit frauds and errors.

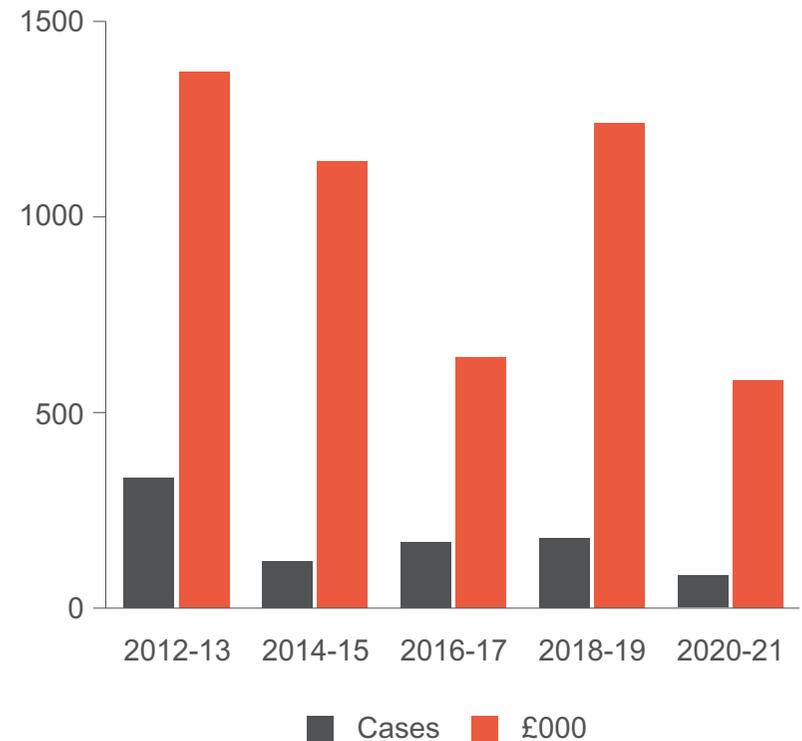
Housing benefit data is matched to student loans, payroll, pensions, housing benefit, housing tenants, licences, deceased person and Amberhill* data to help identify ineligible claims.

The value and number of housing benefit cases recorded with overpayments has reduced from £1.2 million (179 cases) in the 2018-19 exercise to £0.6 million (82 cases) in the 2020-21 exercise.

The fall in housing benefit cases outcomes is mainly due to matches between housing benefit and payroll and pension payments not being included in the 2020-21 exercise. These matches historically identified significant outcomes. These matches were not included as similar data matching is undertaken by the DWP's Verify Earnings and Pensions (VEP) Alerts service which identifies discrepancies between payroll and pension details held by HM Revenue & Customs and council benefits services. Alerts from VEP are sent to local authorities to investigate discrepancies.

*Amberhill is a system used by the Metropolitan Police to authenticate documents presented for identity.

Outcomes of **£0.6 million** in 2020-21



The majority of fraudulent and erroneous claims for housing benefit detected by local authorities in the 2020-21 exercise related to students who were in receipt of housing benefit when not entitled.

Key messages

Outcomes

Results



Process

Case Study: Housing benefit

Carmarthenshire County Council

The Council continues to recognise the value of NFI in protecting the public purse against the threat of fraud risks and considers NFI as being invaluable in the detection and prevention of fraud. The NFI 2020-21 exercise identified 33 housing benefit to student loan matches and of these 13 were high risk matches. Historically the Council has achieved significant results from this specific report and, as in previous exercises, extended the checking process to all matches. Review of the report identified fraud in 30% of the matches, where it was established that benefit customers had failed to declare they were in receipt of student finance/loans. These ten investigations identified overpayments of benefits in excess of £33,000. The Council has recovered the overpayments or remains in the process of full recovery.



Key messages

Outcomes

Results



Process

Blue badges



The blue badge parking scheme allows people with mobility problems to park for free at on-street parking meters, in pay and display bays, in designated blue badge spaces, and on single or double yellow lines in certain circumstances.

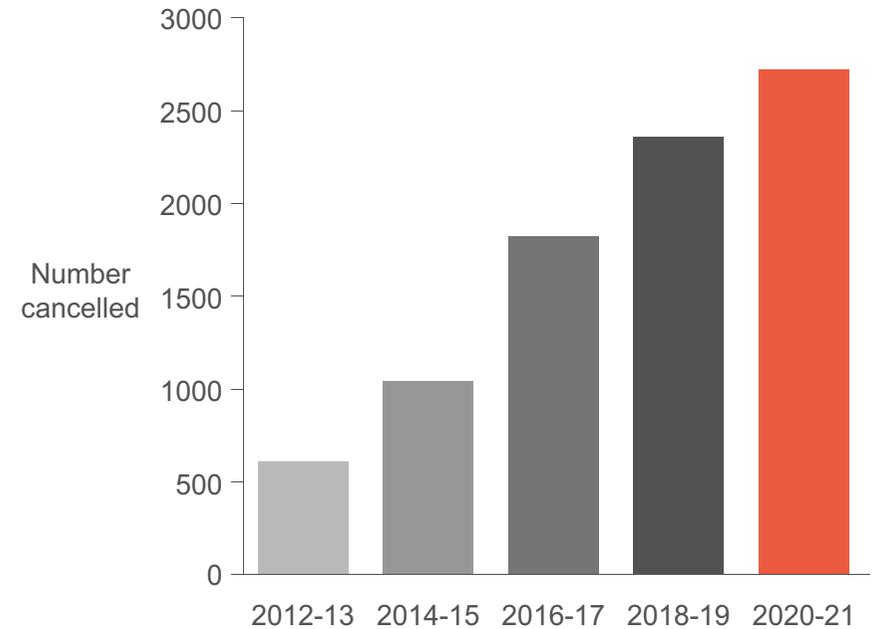
Blue badge data is matched to deceased persons and Amberhill data.

Badges are sometimes used or renewed improperly by people after the badge holder has died. It is an offence for an unauthorised person to use a blue badge.

NFI 2020-21 resulted in the cancellation of 2,717 blue badges in Wales. The number of badges cancelled has increased in each NFI exercise since NFI 2012-13. The estimated value of these cases is £1.4 million based on a calculation of the annual estimated cost of lost parking revenue and the likelihood of these blue badges being misused.

The increase in outcomes is due to a growing recognition of the need to prevent misuse of blue badges. Not only does such misuse reduce parking revenues, it also limits the parking facilities available to genuine blue badge holders.

2,717 outcomes in NFI 2020-21



Key messages

Outcomes

Results



Process

Housing waiting lists



NFI uses housing waiting list data to identify possible cases of waiting list fraud. This happens when an individual has registered on the waiting list but there are possible undisclosed changes in circumstances or false information has been provided. This was a new data set for the 2016-17 NFI exercise.

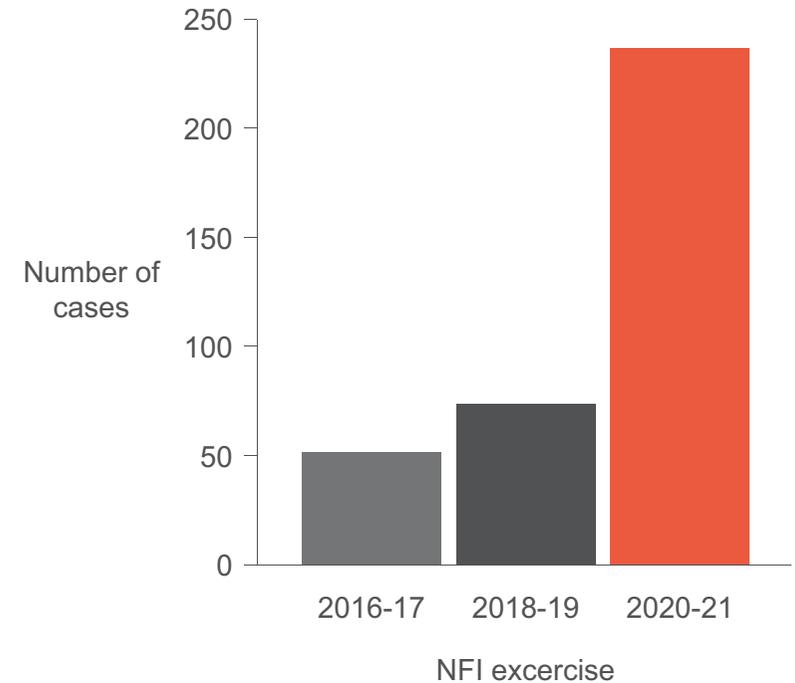
Housing waiting list data is matched to waiting list, housing benefit, housing tenants, deceased persons and Amberhill data.

Local authorities identified 237 cases where applicants were removed from waiting lists compared to 74 cases in 2018-19.

The estimated value of these cases is just under £0.8 million based on a calculation of the annual estimated cost of housing a family in temporary accommodation and the likelihood a waiting list applicant would be provided with a property.

The increase in the number of applications cancelled is due to increased efforts by local authorities to review the NFI matches thereby helping ensure that social housing is only provided to eligible persons.

Number of applicants removed from housing waiting lists



Key messages

Outcomes

Results



Process

Creditor payments



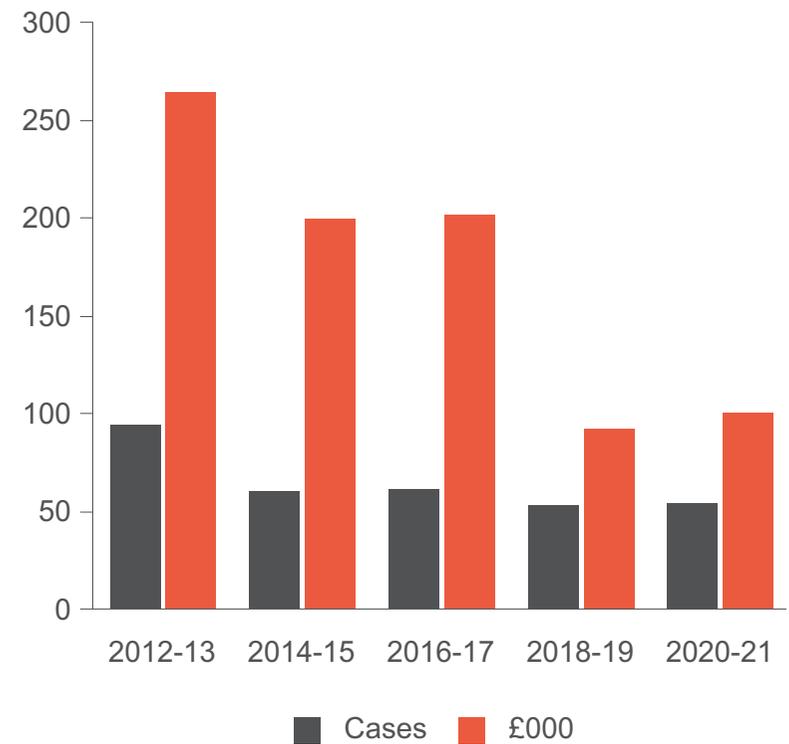
The NFI provides an efficient way to check for duplicate payments and that payments are only made to appropriate creditors.

Creditor payment data is also matched to payroll and Companies House data to help identify undisclosed staff interests in suppliers.

NFI 2020-21 resulted in 54 creditor payment outcomes totalling just over £0.1 million compared to 53 outcomes totalling just under £0.1 million in NFI 2018-19. Recovery action has already taken place or is in process for all of these overpayments.

Creditor payment outcomes have reduced over NFI exercises as participating bodies have improved their internal control systems.

Outcomes of **£0.1 million** in 2020-21



Key messages

Outcomes

Results



Process

Council tax reduction



Council tax reduction helps those on low incomes to pay their council tax bills.

The NFI provides local authorities with the opportunity to identify a range of council tax reduction frauds and errors.

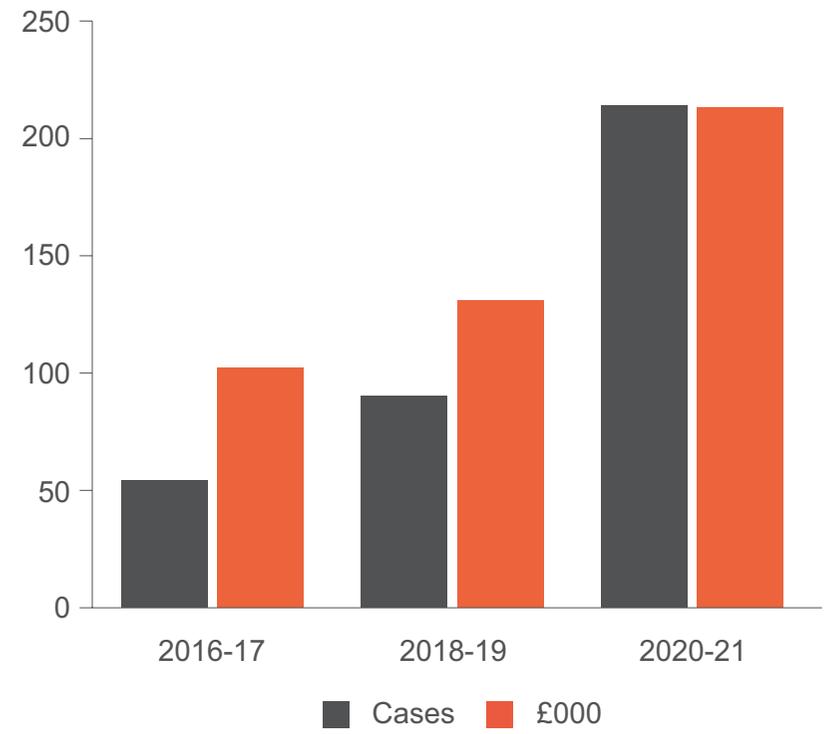
Council tax reduction data is matched to council tax reduction, payroll, pensions payroll, housing benefits, housing tenants, licences, deceased persons and Amberhill data.

The 2016-17 NFI was the first time council tax reduction data sets were included within the NFI.

Outcomes of £0.21 million were identified in the 2020-21 NFI and claims for council tax reduction were amended or cancelled in 214 cases.

The average value of each case was £1,015 compared to £1,457 in NFI 2018-19 suggesting that fraud and error is being identified earlier.

Outcomes of **£0.21 million** in 2020-21



Key messages

Outcomes

Results



Process

Case study: Vale of Glamorgan Council

The Council has a proactive and comprehensive approach to reviewing all NFI matches. All council tax reduction matches are reviewed by the Investigation Officer against the Council's internal systems to try and establish the current household status of claimants. One such match appeared to show the claimant had not declared an occupational pension that had been in payment since 2018. The Investigation Officer advised the Benefits Team that further investigation was required. The Benefits Team liaised with the Revenues Team and found there was another person residing at the address who was also in receipt of an undeclared occupational pension and who had received a substantial lump sum pension payment in 2018. Despite numerous attempts to verify the current situation with the claimant, the claimant failed to respond. The Council has cancelled the claim and the claimant has agreed to repay an overclaim of £4,775 in monthly instalments.



Key messages

Outcomes

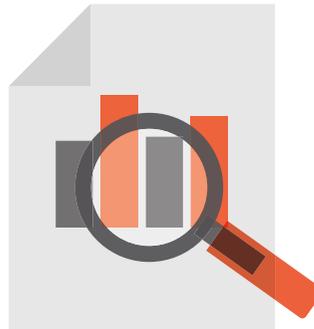
Results



Process

Use of HMRC Data in NFI

In NFI 2020-21, for the first time, Welsh NFI matches were enriched by HMRC data provided under the provisions of the Digital Economy Act 2017. The HMRC data is proving highly effective in helping to identify applicants who have claimed means-tested benefits and discounts but have not declared income that should have been declared on their applications.



Case Study: Denbighshire County Council

The Council proactively reviewed matches between Council Tax Reduction Scheme (CTRS) and HMRC's household composition. One match suggested there was an undeclared non-dependant in the household from 2017, so benefit payments were suspended. The Benefits Team had previously been notified that the person had left the household in March 2017. On investigation, the customer confirmed the failure to declare the non-dependant since May 2017. The NFI match showed the earnings of the non-dependant to be around the threshold at which the highest deduction to the claimant's benefits would apply, so in the absence of further evidence of the non-dependant's income, the is highest deduction was applied. This resulted in an overclaim totalling £20,782. The Council is in the process of recovering the overclaim.

Key messages

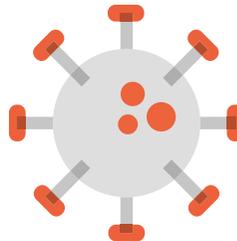
Outcomes

Results



Process

COVID-19 business support grants



In response to the COVID-19 pandemic, the Welsh Government put in place a package of measures to support businesses through the crisis. One of these measures included providing grant funding through Welsh local authorities to some retail, hospitality and leisure businesses and to businesses classified as small businesses for business rate purposes. NFI matched these grants to ensure that businesses were not inappropriately claiming multiple grants and that grants were not being awarded to known fraudsters. These checks only identified two cases of fraud and error amounting to £20,000, providing assurance that these practices were not common.

NFI also made optional tools available to local authorities to confirm that grant applicants were actively trading before the COVID-19 pandemic, and that bank account details provided by applicants related to legitimate business accounts. One Welsh local authority, Cardiff Council, used these tools in conjunction with other internal controls to identify 41 cases of fraud and error with a value of £575,000.

Case Study: Cardiff Council

Following the use of various upfront application and payment controls, the Council used a multi-layered approach to post payment verification and assurance processes for COVID-19 business support grants. NFI provided a useful source of intelligence as part of these post payment checks. The Corporate Fraud Investigation Team and colleagues in Business Rates used a range of investigative techniques and identified £575,000 of payments for recovery. For example, one NFI match indicated that a company had ceased trading, online enquiries suggested the business had closed and a Companies House check showed the company had dissolved prior to the grant eligibility date. The company had not notified the Council that they had ceased trading and were not eligible for the grant. The Council has recovered, or is seeking to recover the overclaims wherever there is a realistic chance of doing so.

Key messages**Outcomes****Results****Process****Payments to residential care homes**

In previous NFI exercises, NFI has matched residential care home data to deceased persons to identify cases where a care home resident has died, but the local authority has not been notified and so has continued to make payments to the care home.

In NFI 2018-19, 11 cases of overpayments were identified where Welsh local authorities were continuing to pay care homes for residents who had died. The average value of these cases was £14,545.

Due to the unintended consequence of a change to legislation affecting Wales, Scotland and England, it was not possible to undertake matching in this area as part of NFI 2020-21. The Auditor General is working with the Cabinet Office and Audit Scotland to find a legislative solution that will allow this matching to be undertaken in future NFI exercises.

Key messages

Outcomes

Results



Process

Matches benefiting other public bodies

One key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Welsh participants for the 2020-21 NFI exercise helped other public bodies outside Wales identify outcomes worth just over £183,000.

Sector of source data	£	Number of outcomes
Local authorities	162,776	135
NHS	15,811	17
Fire	4,458	1
Total	183,045	153

Most of these outcomes relate to housing benefits, housing waiting lists, and council tax reductions. For example, payroll data from a health board may allow a local authority to identify a housing benefit overpayment.

For those public bodies taking part in the NFI which may not always identify significant outcomes from their own matches, it is important to appreciate that providing their data can help other bodies and sectors identify frauds and overpayments.

Process

Key messages

The NFI is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Auditor General, Cabinet Office, Audit Scotland, and the Northern Ireland Audit Office lead the exercise in Wales, England, Scotland, and Northern Ireland, respectively. The NFI takes place biennially and enables public bodies to use computer data matching techniques to detect fraud and error.

Outcomes

The main purpose of the NFI is to ensure funds and services are provided to the correct people, but the NFI can also identify individuals entitled to additional services or payments eg housing benefit matches may identify customers entitled to council tax discount or reduction.

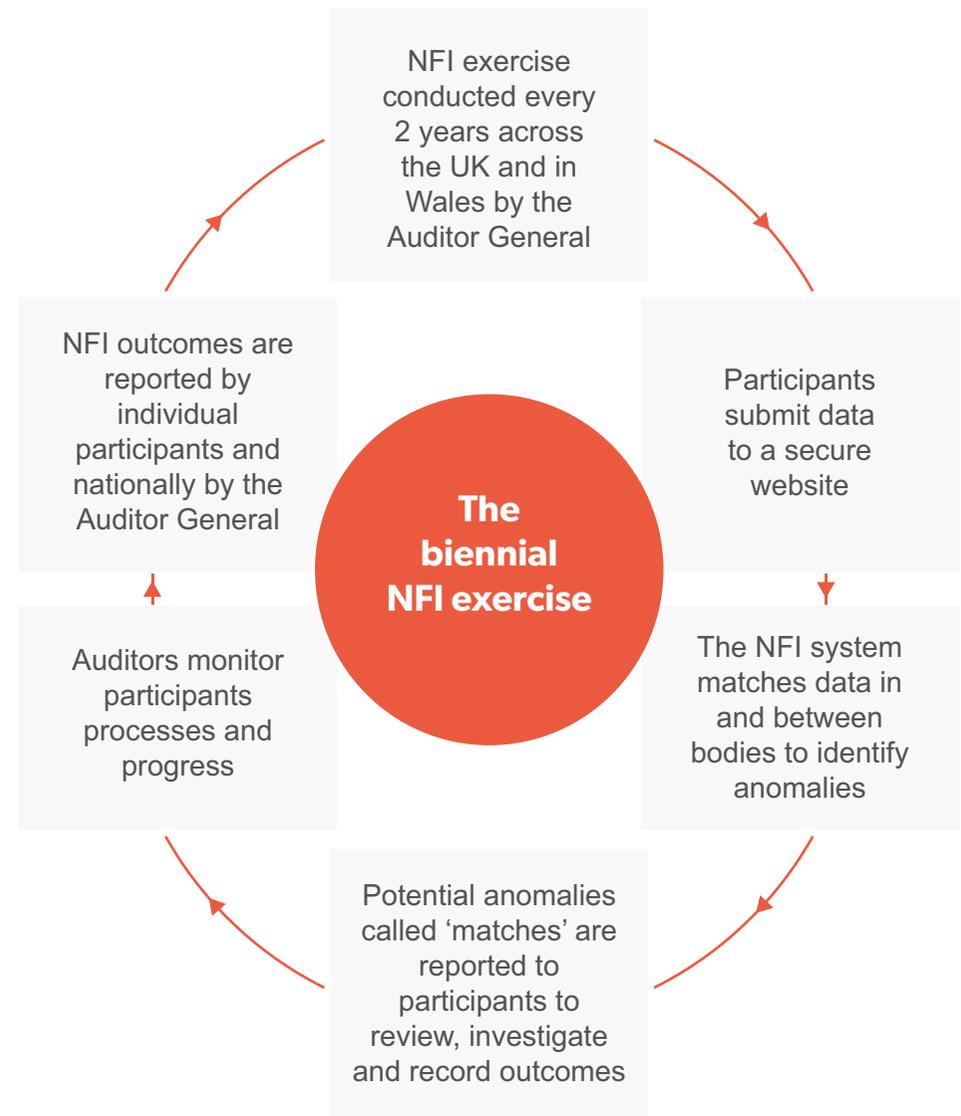
Results

We carry out the NFI process under powers in the Public Audit (Wales) Act 2004. It is important for all parties involved that this exercise is properly controlled and data handled in accordance with the law. The Auditor General’s [Code of Data Matching Practice](#) summarises the key legislation, and controls governing the NFI data matching exercise.

Process



In Wales, the Auditor General has mandated unitary local authorities and NHS bodies to participate in the NFI. The Welsh Government, some Welsh Government Sponsored Bodies, and Audit Wales participate on a voluntary basis.



Key messages**How bodies work with the NFI****Outcomes**

The success of the NFI is dependent on the proactivity and effectiveness of participant bodies in investigating the data matches.

Most participating Welsh public bodies managed their roles in the 2020-21 NFI exercise well.

Results

However, some bodies could be far more pro-active in their approach to the NFI. In particular, some local authorities reviewed very few of the matches they received, and as a consequence did not do sufficient work to address potential frauds. This was due to some participants failing to recognise the importance of the exercise and/or an unwillingness to allocate adequate, skilled counter-fraud resources to investigate the NFI matches.

Process

Key messages**Outcomes****Results****Process****Future developments**

- The Auditor General is considering how to further develop the scope of NFI in Wales and areas of potential data-matching currently being explored include, housing tenancies, GP patient registration, business rates.
- The 2022-23 NFI is now underway. Data sets have been reviewed following a period of consultation and NFI participants are starting to submit data for matching.
- The Auditor General continues to work with the Welsh Government to promote and enhance participation in the NFI across Wales.

The Auditor General is independent of the Senedd and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the Senedd on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes the National Fraud Initiative in Wales under Part 3A of the Public Audit (Wales) Act 2004 which empowers him to conduct data matching exercises for the purpose of assisting in the prevention and detection of fraud in or with respect to Wales and to publish the results of any such exercise.

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.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.



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'Time for Change' – Poverty in Wales

Report of the Auditor General for Wales

November 2022



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Context

- 1 Poverty shapes the lives of many people in Wales, with hundreds of thousands of families struggling to make ends meet. This is not a new phenomenon and tackling poverty, particularly child poverty, has been a longstanding priority for both the Welsh Government and councils in Wales.
- 2 We know that the impact of poverty can be far reaching with many damaging effects. The longer someone is in poverty, the harder it is to break out. And those who live in poverty can find it extremely difficult to play a full role in society and benefit from education and life opportunities that most of us take for granted.
- 3 Often people in crisis are unable to manage and cope. And it is in these times that they look to government – the UK Government, the Welsh Government and the 22 councils – for help and assistance to deal with their difficulties.
- 4 However, the current cost-of-living crisis, with food, fuel and energy costs all rising sharply, is hitting the pockets of many more people and placing families who have managed to live comfortably into poverty for the first time. The consequence of this is creating expectations, and a need, for government to do much more to help people who are struggling to survive.
- 5 This report looks at the challenge of poverty in Wales and how government is responding. We acknowledge that effectively tackling poverty is not easy and is exceedingly difficult for both Welsh and local government. **Appendix 1** sets out our audit approach and methods.
- 6 This is also the first of three reviews on the challenge of alleviating and tackling poverty. In our other work we focus on two potential solutions. Firstly, how councils are working to grow and expand social enterprises to help local government deliver more services and reduce demand – in essence are we making the most of social enterprises and ensuring social value and social capital stay in communities and help people who are struggling. And secondly, given the priority placed on community resilience and self-reliance in council plans, how well are councils equipping people to be less reliant on the state and reduce demand for often overstretched services.

Key findings

- 7 Our overall conclusion is that **the scale of the challenge and weaknesses in current work make it difficult for Welsh and local government to deliver the systemic change required to tackle and alleviate poverty.**
- 8 In **Part 1** of this report we highlight that poverty is multidimensional, complex, growing and impacting more people in Wales. The impact of poverty is far reaching and increasingly more difficult for people to deal with. People in all parts of Wales continue to live in poverty and the number is estimated to be rising, with the cost-of-living crisis pushing more people into poverty. Our analysis shows that poverty is the single major challenge facing all tiers of government.
- 9 In **Part 2** we consider how the different tiers of government are prioritising action on alleviating poverty. Tackling poverty remains a priority but many of the levers to alleviate poverty are outside of Wales's control. The Welsh Government adopted a Child Poverty Strategy in 2011, which was also revised in 2015, but this is out of date in the context of the current cost-of-living crisis, and the target to eliminate child poverty by 2020 was dropped. Despite this, councils and partners have prioritised work on poverty, but the mix of approaches and a complicated partnership landscape mean that ambitions, focus, actions and prioritisation vary widely. In particular, understanding need and drawing on a wide range of data to shape responses remain an area for improvement. Because the agenda is so broad, it is understandable that no council has a comprehensive anti-poverty team, and activity cuts across a range of services which can reinforce silo working.
- 10 The Welsh Government makes significant revenue funding available to councils to alleviate the impact of poverty but due to the complexity and nature of the issues, the total level of spending is unknown, and no council knows the full extent of its spending on alleviating and tackling poverty. All councils are dependent on grants but the short-term nature of grant programmes, overly complex administration, weaknesses in guidance and grant restrictions, and difficulties spending monies mean that funding is not making the impact it could. Lastly, councils find it hard to deliver preventative work because of the sheer scale of demand from people in crisis.

- 11 Finally, in **Part 3** we consider how public bodies deliver services to help people in poverty. We found that only one council is formally undertaking experience mapping with service users to shape how they provide all services to help people in poverty. Despite this, councils are changing how they deliver services as a result of the pandemic and ongoing budget pressures. But the new models of delivery are not always helping people in poverty and those struggling with the cost-of-living crisis.
- 12 Digital exclusion remains a major challenge and data shows that people in poverty can find it difficult to access online services. Community hubs offer an opportunity for councils to help people at the point of crisis. Comprehensive and integrated publicity, advice and information services can significantly help people who are struggling but the picture across Wales is mixed. All councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, but the approach varies and is not always effective. With a few exceptions, most councils struggle to demonstrate the value of their work in alleviating and tackling poverty.



I acknowledge that scale of challenge that poverty presents. It is essential therefore that Welsh Government and councils maximise their efforts and address the weaknesses identified in my review. We need to ensure all tiers of government work together to help people in need and my recommendations are targeted at supporting improvement.

Adrian Crompton
Auditor General for Wales



Recommendations

- 13 Our recommendations are set out below. We expect each council to consider the findings of this review and our recommendations, and that its governance and audit committee receives this report and monitors its response to our recommendations in a timely way.

Recommendations

National strategy and targets for tackling and alleviating poverty

- R1 In **Paragraphs 2.8 – 2.12** we note that there is currently no specific target for reducing poverty in Wales and the current Child Poverty strategy needs to be refreshed. We recommend that in updating its strategy the Welsh Government:
- set SMART national actions;
 - establish a suite of performance measures to judge delivery and impact;
 - sets target for alleviating and tackling poverty; and
 - undertake regular evaluation of performance and public reporting.

Recommendations

Local strategies, targets and performance reporting for tackling and alleviating poverty

- R2 In **Paragraphs 2.13 – 2.23** and **Paragraphs 3.33 – 3.35** we highlight that councils and partners have prioritised work on poverty, but the mix of approaches and a complicated delivery landscape mean that ambitions, focus, actions and prioritisation vary widely. We highlight that evaluating activity and reporting performance are also variable with many gaps. We recommend that the councils use their Wellbeing Plans to provide a comprehensive focus on tackling poverty to co-ordinate their efforts, meet local needs and support the revised national plan targets and actions. This should:
- include SMART local actions with a greater emphasis on prevention;
 - include a detailed resourcing plan for the length of the strategy;
 - be developed with involvement from other public sector partners, the third sector, and those with experience of poverty;
 - include a robust set of consistent outcome indicators and measures to increase understanding of poverty locally; and
 - be subject to annual public reporting to enable a whole system view of poverty locally to help improve delivery and support.

Recommendations

Leadership on the poverty agenda

R3 In **Paragraph 2.23** we note that just over a third of councils have lead members and lead officers for addressing poverty. Given the importance of effective leadership in driving the poverty agenda forward and breaking silos within councils and between public bodies, we recommend that each council designate a cabinet member as the council's poverty champion and designate a senior officer to lead and be accountable for the anti-poverty agenda.

Improve the efficiency and effectiveness of grant-funded programmes

R4 In **Paragraphs 2.31 – 2.38** we note that all councils are dependent on grants but weaknesses in programmes mean that funding is not making the impact it could. To ensure councils are able to maximise the impact of funding and tackle the more difficult and longstanding problems, we recommend that the Welsh Government:

- provide longer timescales for announcing and receiving bids to enable better resource planning;
- move away from annual bidding cycles to multi-year allocations;
- enable funding to be more flexibly spent to avoid an emphasis on quicker projects, rather than more impactful interventions that take longer to establish;
- allow councils to consolidate funding to reduce bureaucracy;
- streamline and simplify processes and grant conditions to reduce the administrative burden; and
- keep requests for information and supporting materials from councils to a minimum.

Recommendations

Experience mapping to create inclusive services for people in poverty

R5 In **Paragraphs 3.2 – 3.6** we highlight that people in poverty are often in crisis, dealing with extremely personal and stressful issues, but they often find it difficult to access help from councils because of the way services are designed and delivered. We recommend that councils improve their understanding of their residents' 'lived experience' through meaningful involvement in decision-making using 'experience mapping' and/or 'Poverty Truth Commissions' to review and improve accessibility to and use of council services.

Single web landing page for people seeking help

R6 In **Paragraph 3.14** we highlight the difficulties people in poverty face accessing online and digital services. To ensure people are able to get the information and advice they need, we recommend that councils optimise their digital services by creating a single landing page on their website that:

- is directly accessible on the home page;
- provides links to all services provided by the council that relate to poverty; and
- provides information on the work of partners that can assist people in poverty.

Recommendations

Streamlining and improving application and information services for people in poverty

R7 In **Paragraphs 3.15 and 3.16** we note that no council has created a single gateway into services. As a result, people have to complete multiple application forms that often record the same information when applying for similar services. We highlight that whilst it is important that councils comply with relevant data protection legislation, they also need to share data to ensure citizens receive efficient and effective services. We recommend that councils:

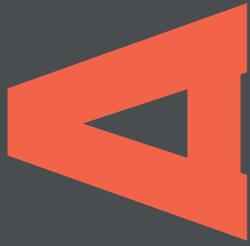
- establish corporate data standards and coding that all services use for their core data;
- undertake an audit to determine what data is held by services and identify any duplicated records and information requests;
- create a central integrated customer account as a gateway to services;
- undertake a data audit to provide refresher training to service managers to ensure they know when and what data they can and cannot share; and
- review and update data sharing protocols to ensure they support services to deliver their data sharing responsibilities.

Recommendations

Complying with the socio-economic duty

R8 In **Paragraphs 3.27 to 3.32** we set out that while all councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, approaches vary and are not always effective. We recommend that councils review their integrated impact assessments or equivalent to:

- ensure that they draw on relevant, comprehensive and current data (nothing over 12 months old) to support analysis;
- ensure integrated impact assessments capture information on:
 - involvement activity setting out those the service has engaged with in determining its strategic policy such as partners, service users and those it is co-producing with;
 - the cumulative impact/mitigation to ensure the assessment considers issues in the round and how it links across services provided across the council;
 - how the council will monitor and evaluate impact and will take corrective action; and
 - an action plan setting out the activities the Council will take as a result of the Integrated Impact Assessment.



**Poverty is
multidimensional,
complex, growing
and impacting more
people in Wales**

01

- 1.1 In this part of the report we provide a brief overview of how poverty is defined, setting out the complexities of poverty showing its day-to-day impact on people in Wales. We outline how poverty is measured, highlighting the differences between the countries of the UK and show that poverty in Wales is growing. Finally, we consider the current cost-of-living crisis and how this is pushing more people into poverty for the first time, making poverty the single biggest challenge facing people and public services across Wales.

Defining poverty

- 1.2 Poverty may be described in different ways and there is no single, universally accepted definition. In 1995, the United Nations adopted two relative definitions of poverty, framing the issue in terms of minimum acceptable standards of living within the society in which a particular person lives. These are:
 - a **absolute poverty** is defined as a condition characterised by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income, but also on access to services.
 - b **overall poverty** takes various forms, including a lack of income and productive resources to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited, or lack of access to, education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments and social discrimination and exclusion.
- 1.3 Poverty therefore occurs in all countries and even the most developed places will have pockets of poverty amid wealth. For instance, the loss of livelihoods as a result of economic recession, sudden poverty as a result of disaster or conflict, the poverty of low-wage workers, and those who struggle to cope outside family support systems, social institutions and safety nets.
- 1.4 The causes of poverty can also be structural, derived and enhanced by the way society and the economy are framed and work, which helps create a cycle that makes it more difficult for some people to provide for their families and keeps them trapped in hardship. These structures drive disparities in access to transportation, education, childcare, health care, high-quality jobs, and affordable housing. For example, people who are not able to easily access training or education can struggle to land a secure job, making it harder to escape poverty. Likewise, the operation, or inflexibility, of welfare systems can make it difficult for those struggling and trap them in poverty.

- 1.5 Consequently, poverty needs to be seen as multi-dimensional incorporating aspects of, for example, deprivation, and psychological wellbeing, such as mental health and shame. Looking at deprivation allows a wide range of aspects of living standards to be included. Here, deprivation should not be seen only in terms of material deprivation but also in the social exclusion from 'the ordinary patterns, customs and activities' of society¹.

The impact of poverty is far reaching and increasingly more difficult for people to deal with

- 1.6 Poverty is not just therefore the absence of the money people require to meet their needs. It is also the consequences of this lack of resources and how this impacts them in ways that those not in poverty often find hard to comprehend. Some of these consequences – for instance social isolation, exclusion, powerlessness, physical and emotional wellbeing – can extend and perpetuate poverty, making it difficult, if not impossible, for people to escape its impact. And often the way policies and services are set and delivered can make the situation far more challenging.
- 1.7 Through our fieldwork, in particular speaking to people in poverty, we have sought to define its characteristics or dimensions on a human level – what does it feel and look like to live in poverty. From our work, there are some common issues that re-occur for people who live in poverty. We have set these out under seven broad headings in **Exhibit 1**. Not everyone will encounter all of these, and people can experience different problems at different times. Taken as a whole, however, they demonstrate how multidimensional poverty can be and provide a sense of what it means to live in poverty and, at the extreme end, destitution.

1 Lansley, S. and Mack, J., Breadline Britain – the rise of mass poverty, London, Oneworld, (2015).

Exhibit 1 – The 'Dimensions' or 'Characteristics' of living in poverty in Wales

Housing issues

- I have experience of being homeless, street sleeping and/or sofa surfing
- My home is insecure, and I fear losing it
- I am unable to afford to pay my rent or mortgage
- I live in poor quality/substandard housing
- People in my home share bedrooms and have inadequate space
- I cannot afford furniture or white goods in my home



Clothing and footwear issues

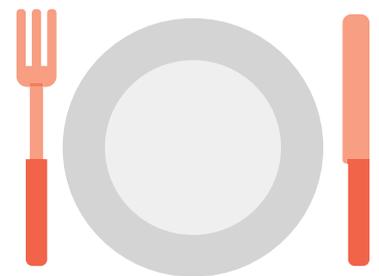
- I do not have warm clothing in winter
- I depend on handouts and charity for clothes
- I only have two pairs of shoes
- I do not have clothes for work or job interviews

Fuel and Energy issues

- My home has poor energy efficiency
- I have to use prepayment meters and/or have to use high-cost tariffs
- I have high energy usage due to my and/or my family's ill health
- I have high energy use due to the size of my family
- I am regularly unable to afford to use electricity or gas
- I depend on an off-grid, more expensive energy supply – oil

Food and water issues

- I cannot guarantee a regular and sufficient supply of food and water
- I am unable to purchase sufficient food and water to meet me and my family's needs
- I am unable to eat healthily
- I periodically have no food available
- I regularly miss meals
- I am unable to afford to wash myself and/or my clothes



Financial issues

- I have insufficient income to afford to meet my living costs
- My income is unstable, and I do not know how much money I have week to week
- I am unable to access credit
- I have no savings
- I am in debt
- I depend on welfare benefits and/or charity

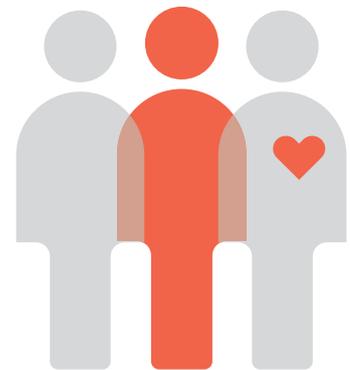


Exclusion from services issues

- I am unable to register for health, dental and care services
- Transport is unreliable and I find it difficult to access and/or afford transport
- I do not have a computer, a SMART phone and/or tablet
- I do not have access to the internet at home
- I find it difficult to access the essential public services I need
- I find it difficult to participate in or influence decisions that affect me – eg not registered to, or do not, vote
- I find it difficult to get the advice and information I need to help me
- I feel marginalised by the services I seek help from

Emotional and relationship issues

- I lack confidence and self esteem
- I find it difficult to deal with problems
- I find it difficult communicating with people and services
- I have poor literacy and numeracy skills
- I find it difficult to build and/or maintain relationships
- I experience feelings of shame and stigma because of my circumstances



People in all parts of Wales continue to live in poverty and the number is estimated to be rising

- 1.8 There is no single source of evidence that is universally drawn on to determine levels of poverty in Wales. Consequently, we have based our analysis on three key data sets. These are the Wales Index of Multiple Deprivation; the Department of Work and Pensions' (DWP) households-below-average-income data; and persistent poverty information, again published by the DWP.
- 1.9 Taken together, this information shows us that a significant number of people are living in poverty in Wales and deprivation reaches all part of the country. Importantly, the levels of poverty remain stubbornly high and are impacting all parts of the population – children, working-aged people and pensioners. Significantly, many people also continue to experience poverty on an ongoing basis.

The Welsh Index of Multiple Deprivation

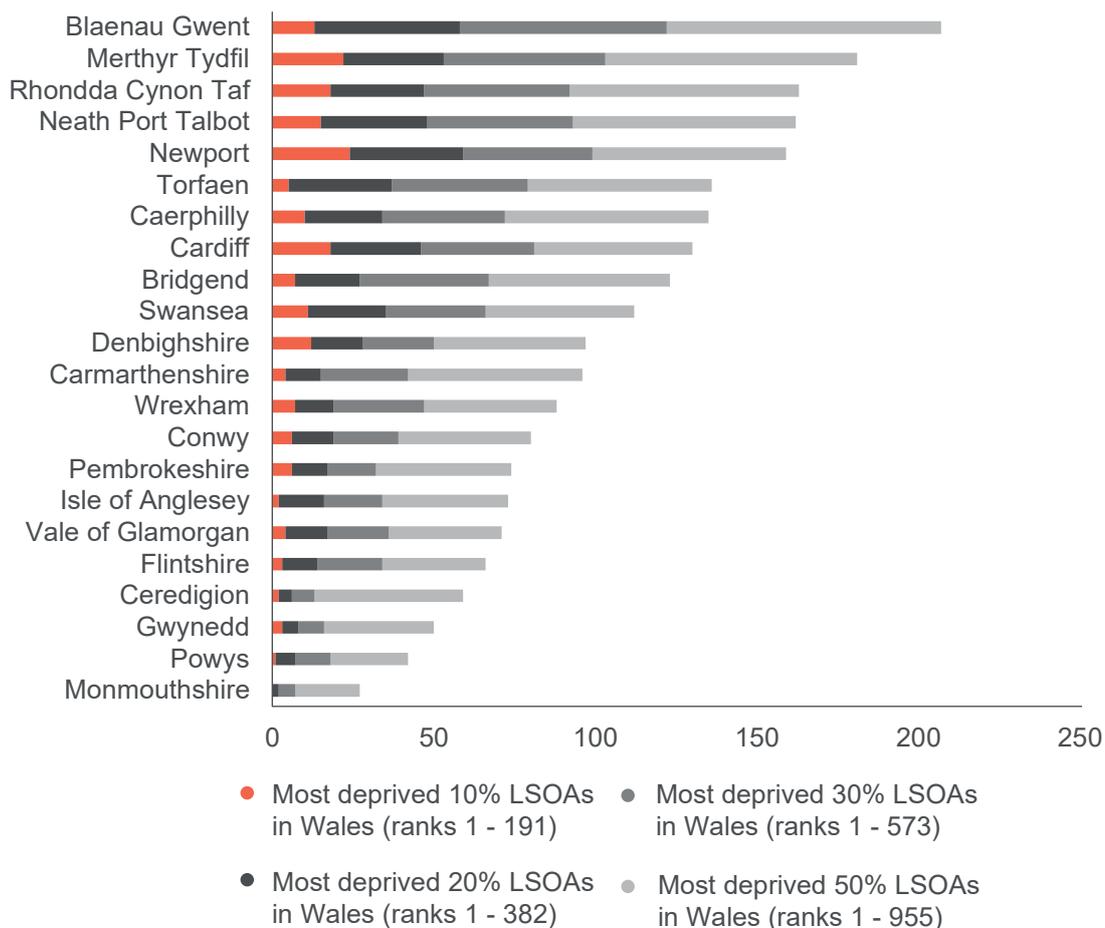
- 1.10 The Welsh Government uses the Welsh Index of Multiple Deprivation (WIMD) to measure relative deprivation of small areas of Wales and then ranks them from the most to the least deprived. The WIMD uses 47 indicators split into eight domains – income, employment, health, education, access to services, housing, community safety, and the physical environment. WIMD is a measure of multiple deprivation that is both an area-based measure and a measure of relative deprivation.
- 1.11 WIMD ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived). Using this information it is therefore possible to say that one area is more or less deprived than another². The full WIMD is revised every four to five years and was last updated in 2019, before the pandemic and the impact of the current cost-of-living crisis. Nonetheless, the WIMD remains the best available data for comparing levels of poverty by council.
- 1.12 Using the WIMD data, we set out in **Exhibit 2** the comparative levels of deprivation by council based on this small-areas analysis. In broad terms, the WIMD shows us that all areas of Wales have pockets of deprivation, but the urban areas of south-east Wales are where people are persistently experiencing poverty and are struggling the most.

2 The Welsh Index of Multiple Deprivation (WIMD) is the Welsh Government's official measure of relative deprivation for small areas in Wales. It identifies areas with the highest concentrations of several different types of deprivation. WIMD ranks all small areas in Wales from 1 (most deprived) to 1,909 (least deprived). Small areas are Census geographies called Lower-layer Super Output Areas (LSOAs).

- 1.13 Tackling and alleviating poverty is at the heart of providing for the wellbeing of citizens, and government at all levels in Wales clearly operates many programmes to support this. This includes the NHS, education, welfare payments, infrastructure, and utilities. The broad nature of poverty and the wide range of areas that it touches on mean that it inherently crosses over the different constitutional boundaries of the UK.
- 2.14 Wales has had stubbornly high levels of poverty for many years (**Exhibit 2**) and as a result poverty remains a longstanding priority of the Welsh Government. The Welsh Government recognises that due to the nature of poverty, it cannot be tackled alone and must be tackled collaboratively between all levels of government. Notwithstanding, the Welsh Government exercises considerable autonomy when it comes to tackling poverty. For instance, major areas of economic development, education, health and housing policy are its responsibility, and it can decide where it allocates its budgets.

Exhibit 2 – Welsh Index of Multiple Deprivation – Council Analysis by Lower-layer Super Output Areas

People in all parts of Wales are experiencing poverty, but it is most acutely felt in the urban and valley areas of South Wales.



Source: Welsh Index of Multiple Deprivation, Welsh Government, November 2019

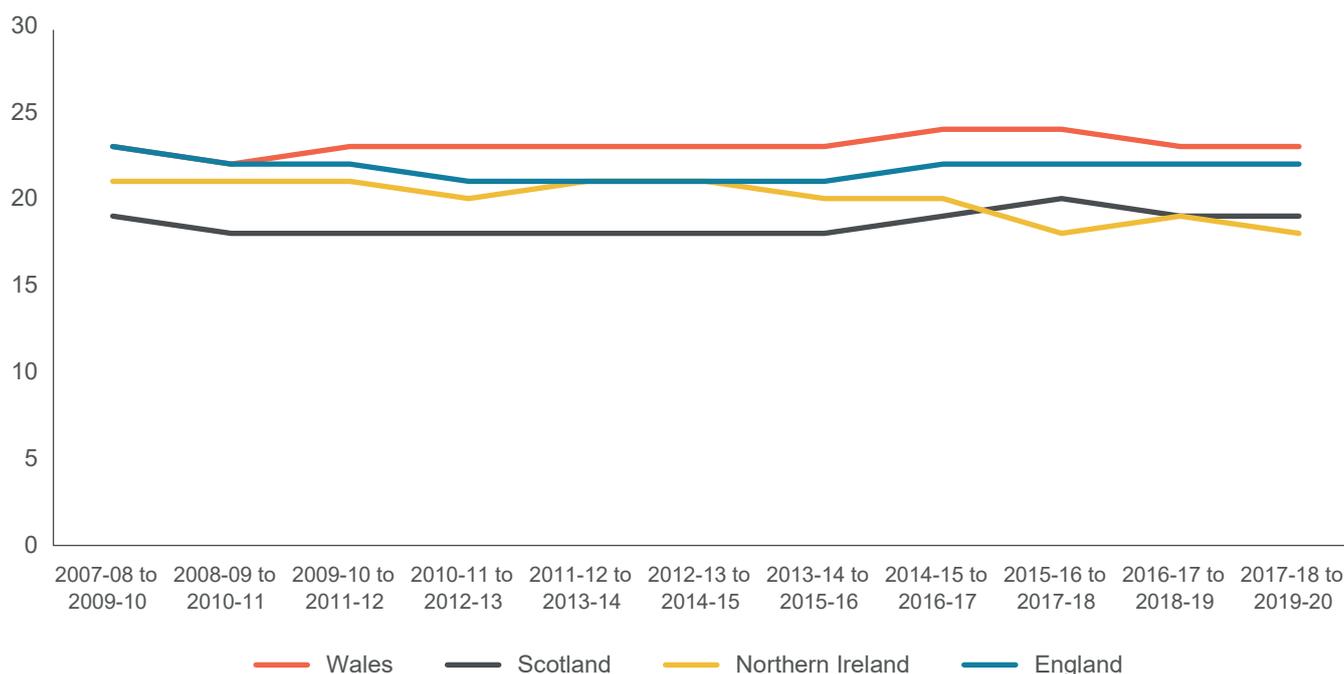
Households Below Average Income

1.15 Most official measures of poverty use relative income to assess who is in poverty; an income threshold is set and those who fall below it are seen to be 'in poverty'. The current benchmark for judging relative levels of poverty is the number of households who get less than 60% of the average wage. Using this measure³, and drawing on data published by the DWP, 23% of people in Wales live in poverty and Wales continues to have the highest levels of poverty in the United Kingdom – **Exhibit 3**.

3 Relative income is the sum of money after housing costs such as mortgage interest payments/rent, water rates and structural house insurance have been paid.

Exhibit 3 – Percentage of people living in relative income poverty by UK countries between 2007-08 to 2009-10 and 2017-18 to 2019-20 (three-year averages of financial years)

Wales has consistently had the highest levels of relative income poverty in the UK in the last decade.



Source: Households Below Average Income, Family Resources Survey, Department for Work and Pensions, reported on StatsWales (Indicator [SIEQ0031](#)), March 2021

1.16 Digging below the surface of the headline figures allows us to identify some important trends on poverty in Wales, and the differences between Wales and the other countries of the UK. While the number of children living in relative income poverty in Wales fell from 32% in 2010-11 to 28% in 2018-19, the numbers rose sharply in 2019-20 to 31%. The most recent data published by the DWP⁴ in March 2022 (as analysed by the Welsh Government⁵) suggests that this trend is continuing with 34% of children in Wales predicted to be living in poverty in March 2021⁶. Across the four countries of the UK, Wales has the highest number of children in relative income poverty.

4 [Households Below Average Income](#), Department for Work and Pensions, March 2022

5 [Measures of poverty: April 2020 to March 2021](#), Welsh Government, March 2022

6 It should be noted that the most recent data for Wales is based on the Family Resources Survey which samples around 900 households in Wales every year. This is why data is presented as three-to-five year rolling averages, to reduce (but not eliminate) unreliability.

- 1.17 Pensioners have the lowest levels of poverty in Wales, with numbers remaining consistent at 18% in the last decade, although the most recent Welsh Government analysis for March 2021 suggests this has marginally risen to 19%. Again, when comparing numbers across the UK, Wales has more pensioners in poverty than the other three nations. Finally, with regard to working-age adults, the data has remained stable at 22%, but Wales again has the highest numbers classed as in relative income poverty across the four countries of the UK.
- 1.18 One growing problem facing many working-age adults is 'in-work poverty' – poverty faced by anyone living in a household where someone is in work but whose income (including welfare benefits) has and is not keeping up with the cost of day-to-day living. In-work poverty is not new and is an issue that has been growing since the mid-1990s. It has, however, become a more acute problem in the last 12 months. This growing trend highlights that while work reduces the risk of poverty, incomes are often not sufficient to allow someone to escape from poverty. Research suggests that in-work poverty increased across the UK in 2021 but rose most sharply in London (22% of households), Wales and the North of England (both – 18% of households)⁷.

Persistent Poverty

- 1.19 The DWP also produces an incomes dynamics report on changes in income over time highlighting rates of persistent low income for different groups. This is often referred to as 'persistent poverty.' Individuals are classed as living in persistent poverty if they are in relatively low income for at least three out of four consecutive years.

7 Institute for Public Policy Research, NO LONGER 'MANAGING', May 2021

- 1.20 Persistent poverty is a major concern. Evidence from the Joseph Rowntree Foundation shows that the negative consequences of poverty are worse for families the longer they spend, and the deeper they are, in poverty⁸. The most recent DWP data published in March 2022 found that:
- a an individual in England and Wales had a 12% chance of being in persistent poverty between 2016 and 2020 (after housing costs were paid). This is more than in Scotland (10%), and in Northern Ireland (9%);
 - b a child in Wales had a 13% likelihood of being in persistent poverty, which is less than for England (19%) but higher than for Northern Ireland (12%) and Scotland (10%);
 - c a working-age adult in Wales had a 13% likelihood of being in persistent poverty, which is higher than England (11%), Scotland and Northern Ireland (10%); and
 - d a pensioner living in Wales had a 10% likelihood of being in persistent poverty, which is lower than in England and Scotland, both at 11%. The likelihood in Northern Ireland is 5%.

The cost-of-living crisis is pushing more people into poverty

- 1.21 The 'cost-of-living crisis' refers to the fall in 'real' disposable incomes (adjusted for inflation and after taxes and benefits) that the UK has experienced since late 2021. It is predominantly caused by high inflation outstripping wage and benefit increases and has been further exacerbated by recent tax increases. The price of goods, especially of essentials, is increasing at a faster rate than most people's income and is squeezing household finances, especially those on low wages. The Office for National Statistics (ONS) estimates that inflation is now higher than at any time since 1982⁹, affecting the affordability of goods and services for millions of households.

8 Joseph Rowntree Foundation, [UK Poverty 2022](#), January 2022

9 Office for National Statistics, [CPIH Annual Rate](#), May 2022

- 1.22 In January 2022, the Institute for Fiscal Studies reported that the lowest-income tenth of households will face around 1.5 percentage points more inflation than the highest-income tenth over the year¹⁰. Similarly, research by the Resolution Foundation concluded that the poorest quarter of households are set to see their real incomes drop by 6% in 2022-23¹¹. Because energy prices are rising particularly quickly, the Joseph Rowntree Foundation estimates that low-income families will now need to spend 19% of their income on energy costs alone in 2022-23, compared to middle-income families who will need to spend 7% of their take-home pay¹² (although these figures may be lower following the UK Government's recent announcement to provide help with¹³ energy bills until April 2023). Finally, the Office for Budget Responsibility forecasts household incomes when adjusted for inflation will fall in 2022-23 by the largest amount (-2.2%) since records began in the mid-1950s¹⁴.
- 1.23 **Exhibit 4** draws together a range of data to show the rapid changes taking place in energy and food costs and the impact this is having. This research shows that greater numbers of people are now experiencing energy and food insecurity, and the poorer you are, the greater the impact of the cost-of-living crisis is having on you. Importantly, because it is difficult to record and report poverty data in real time, the number of people impacted by the cost-of-living crisis and living in poverty is absent from current data.

10 Institute for Fiscal Studies, The cost-of-living Crunch, January 2022

11 Resolution Foundation, The Living Standards Audit 2022, July 2022

12 Joseph Rowntree Foundation, Energy Price Analysis, March 2022

13 <https://www.itv.com/news/2022-10-17/jeremy-hunt-to-outline-mini-budget-tax-spending-and-plan-today>

14 Office for Budget Responsibility, [Economic and fiscal outlook](#), March 2022

Exhibit 4 – Changes in energy and food costs and the predicted impact

Energy and food cost changes in 2021 and 2022

From April 2021 to April 2022, domestic gas prices increased by 95% and domestic electricity prices by 54%.

On 1 April 2022, the new price cap came into force. The regulator Ofgem announced the cap would increase from its current equivalent annual level of £1,277 per year to £1,971; a 54% increase.

The Chief Executive of Ofgem said on 24 May that he expected the price cap to increase to around £2,800 in October 2022, a 40% increase. Recent research suggests that this will rise again to £4,200 by January 2023. Ofgem estimates that the increase in the price cap will affect around 22 million customers.

In September 2022, the UK Government announced that it will freeze energy bills at an average of £2,500 a year for two years from 1 October 2022.

Between August 2021 and August 2022 unleaded petrol has risen by 48.6 pence per litre and diesel by 56.2 pence.

Impact on people

YouGov reported that 87% of adults in the UK reported an increase in their cost of living in March 2022 and 83% cited an increase in gas and energy as a significant contributor.

In August 2022, YouGov noted that 78% of people in Great Britain are worried about the current price of their household's energy bills – including a third (37%) who are 'very' worried about the cost. Of those with the lowest household incomes (£19,999 a year or less), 83% say they are concerned about how much they spend on energy.

Households in the lowest income group spent 7.1% of their overall spending on electricity and gas, compared to 2.5% for households in the highest income group.

A January 2022 YouGov poll found 49% of people from households with an income of less than £15,000 a year say they cannot afford to heat their home when it is very cold outside.

According to Welsh Government research 14% of Welsh households now live in 'fuel poverty' and 11% are at risk of 'fuel poverty'.



Energy and food cost changes in 2021 and 2022

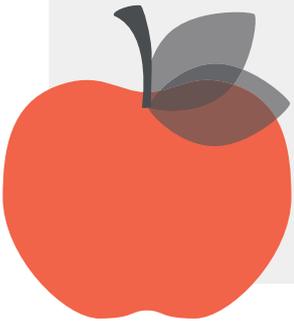
Food and non-alcoholic drink prices were 6.7% higher in the year to April 2022. This is up from 5.9% and the highest rate of increase since June 2011.

An index of world food prices compiled by the UN Food and Agriculture Organisation hit a record high in March 2022. It fell slightly in April but remains 29.8% higher than in April 2021.

Impact on people

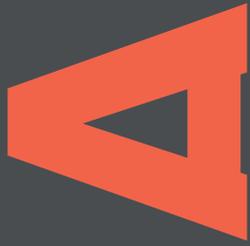
YouGov reported that 80% of adults in the UK had seen an increase in their cost of living in March 2022 and 85% of these cited increased price of food as the reason. 54% of those responding to the survey who reported a rise in the cost of living in March 2022 say they are spending less on non-essentials as a result and 33% report spending less on food and essentials. The most recent analysis from YouGov in September 2022 notes that 21% of UK citizens now say they have found themselves forced to make cutbacks to their essential food-item spending.

The Food Foundation's Insecurity Tracker reported that 13.8% of UK households (7.3 million adults) experienced food insecurity in April 2022. Amongst those on Universal Credit, the figure rose to 47.7%.



Sources: ONS, [Energy prices and their effect on households](#), February 2022; Ofgem, [Default Tariff Cap Level](#), February 2022; [Fuel poverty modelled estimates for Wales \(headline results\): as at October 2021 \(gov.wales\)](#); The Food Foundation, [Food Insecurity Tracking](#), April 2022; Cornwall Insights, [Price Cap Forecasts](#), August 2022; YouGov, [Eurotrack Survey Results](#), March 2022; YouGov, [Finances Survey Results](#), March 2022; and YouGov Results, [Energy Bills](#), August 2022; and YouGov, [Essential Spending Results](#), September 2022

1.24 In conclusion, and considering the information in this section as a whole, poverty is a long-term problem facing all parts of Wales, but areas in the south in particular. Comparatively, data suggests that Wales has the highest levels of poverty across the four countries of the UK, and this is growing. There remain significant numbers who persistently live in poverty and find it difficult to escape its impact. And the effect of the current 'cost-of-living crisis' is pushing more people into poverty. Given this situation, in the proceeding sections we look at how government in Wales is responding.



The challenge of alleviating and tackling poverty in Wales

02

2.1 In this part of the report we set out how government is currently alleviating and tackling poverty in Wales. We highlight the limitations that Welsh and local government have in responding to poverty and also review current plans and strategies. We set out how alleviating and tackling poverty are resourced and how weaknesses in current arrangements limit the potential positive impact of this funding.

Tackling poverty remains a priority for all tiers of government but many of the levers to alleviate poverty are outside of Wales's control

Exhibit 5 – The purpose of 'Government'

Western democratic governments, in general, have the same key purposes, although vary in their delivery of them. They are:



To establish laws

Government has the legitimate authority to set law that everyone is required to follow.



Maintain law and order

Government, through the courts or police, can enforce law and punish those who do not follow it to regulate and protect others from harm.



Protect from external threats

Government can use military, diplomatic actions, or international agreements to protect citizens from threats.



Provide for the general wellbeing of citizens

Government attempts to ensure the health, happiness, and prosperity of citizens through healthcare, education, and other programmes.

2.2 However, in other respects the Welsh Government is significantly constrained, most obviously its inability to control key areas which are reserved by the UK Government. This includes welfare benefits, wider social security, taxation and employment law, such as the minimum wage. The Welsh Government is unable to influence the UK Government's policy or the powers they reserve, but often has divergent views on the role of the state in tackling and alleviating poverty. This leaves the Welsh Government without the key levers to act on this priority area.

UK and Scottish Governments' strategies

- 2.3 UK Governments led by both major parties had, until 2016, a longstanding target to end child poverty by 2020 that was enshrined in the [Child Poverty Act 2010](#). This was repealed in 2016 and since then there have been no targets at a UK level.
- 2.4 In response, the Scottish Government set its own targets to reduce child poverty by 2030 through the [Child Poverty \(Scotland\) Act 2017](#) (the Act). The Act requires the Scottish Government to publish a national delivery plan and annual reports, to be supported by joint annual reports from councils and health boards to demonstrate how the strategy is being implemented. The Act also establishes a [Poverty and Inequality Commission](#) to monitor progress and to hold the Scottish Government to account.
- 2.5 Progress on poverty in Scotland is aided by greater powers being devolved from Westminster. The Scottish Government has additional powers over finance and welfare that are not devolved to Wales which enables it to invest and develop policy that helps alleviate and tackle poverty directly. This includes the Scottish Child Payment. The Scottish Government estimates that this alone could result in a 5% reduction in child poverty in 2023-24¹⁵.

There is no national target for reducing child poverty and the current Child Poverty Strategy needs to be refreshed

- 2.6 In 2011, the Welsh Government set a national target to eradicate child poverty by 2020 under the [Child Poverty Strategy for Wales](#). This was subsequently repeated in 2015 but the target was dropped during the Fifth Senedd. While the strategy remains relevant and provides the focus for work on poverty, it does not reflect the current challenges facing people in Wales and has no targets to focus work and effort.

15 [Scottish Child Payment – estimating the effect on child poverty \(gov.scot\)](#)

- 2.7 The Welsh Government also produced a [Child Poverty: Income Maximisation Action Plan](#) in November 2020. This set out a series of practical actions to help increase the incomes of families living in poverty, reduce essential living costs and provide support to build their financial resilience. It does however fall short of a refreshed and up-to-date strategy.
- 2.8 From our fieldwork we conclude that a revised national strategy would enable the Welsh Government to articulate an up-to-date vision, direct delivery to support objectives and put in place appropriate measures to judge impact. A refreshed national strategy would help set a strategic vision with expectations and ambitions for the whole public sector to achieve collectively. And the need to update and refresh the strategy has been recognised by the Minister for Social Justice, who has committed to introduce a revised Child Poverty strategy¹⁶. In addition, under the [Child Poverty Strategy \(Corporate Joint Committees\) \(Wales\) Regulations 2021](#) the four recently established [Corporate Joint Committees \(CJCs\)](#) will also be required to review local child poverty strategies and produce a report. This provides an opportunity for councils to reconsider their local plans and collaborate with neighbours. Finally, the Welsh Government has also recently consulted on new national milestones which include measures related to improving household income per head and income poverty¹⁷.
- 2.9 Despite this, as the sections below outline, the Welsh Government and other public bodies continue to invest in a wide range of initiatives to tackle and alleviate poverty. The Welsh Government, via specific cost-of-living grants, supports public bodies to deliver programmes that help those in poverty, and much money is being invested in this way. Within councils this includes Families First and Flying Start programmes, as well as targeted grants, such as those for food or period poverty. These elements could be better co-ordinated and measured through a national strategy and indicators.
- 2.10 To enhance this at a time of acute need, some have called for the Welsh Government to do more following the Scottish Government's lead. For example, the Bevan Foundation and the Joseph Rowntree Foundation have called for the Welsh Government to implement a 'Welsh Benefits System', which would take existing programmes of financial and other support for families and integrate them into a single welfare system. This would mean the myriad of current funding programmes, many of which are administered by councils, would be amalgamated into a single fund, which would help streamline and improve efficiency.

16 [Welsh Parliament, Plenary Record, 13 July 2022](#)

17 [Shaping Wales' Future: Using National Indicators and Milestones to measure our Nation's progress \(gov.wales\)](#)

Councils and partners have prioritised work on poverty, but the mix of approaches and a complicated delivery landscape mean that ambitions, focus, actions and prioritisation vary widely

- 2.11 The Children and Families (Wales) Measure 2010 placed a duty on councils to produce a child poverty strategy to support the national strategy. Since 2015, this has been discharged through local well-being plans from councils or Public Service Boards (PSB). Overall, our review found a complicated picture of how public bodies are working to address poverty across Wales.
- 2.12 While all councils have well-being objectives that would support those living in poverty, only 12 have specific objectives addressing poverty. We found that five councils also have dedicated anti-poverty strategies that are council-wide and draw on their corporate and well-being objectives. Other councils target individual dimensions of poverty, such as energy or food poverty. Some also include poverty as a PSB objective or theme to be addressed alongside other partners. Nine also reference poverty within their Strategic Equality Plans.
- 2.13 The strongest strategies provide clear definitions of poverty and link to wider corporate objectives. Swansea's Tackling Poverty Framework is an example of this, setting out a vision with themes and outcomes, linked to other plans. Bridgend also effectively links its plan by using consistent objectives with other strategies. This enables a focus on poverty to exist alongside wider corporate objectives.
- 2.14 A common theme across many councils is, however, a lack of ambition to address the causes of poverty over a longer period. While the key drivers of poverty, primarily decisions on welfare spending and entitlements, are outside the control of councils, there are local changes that can be made to support people. Most councils are reactive only and focus on delivering the Welsh Government's grants and programmes. This leads to an inward focus on what the council can achieve for people in crisis who are already known to them and within the public service delivery system. Those on the margins of poverty, and those being pushed into poverty by the cost-of-living crisis, are often overlooked.
- 2.15 Worryingly, some officers we interviewed stated that poverty strategies are not needed because they see all their councils' work as inherently about tackling poverty. Having a strategy was seen as resulting in poverty being 'lost' in the overall corporate plan. Whilst this view recognises the holistic nature of poverty, it can also result in a lack of co-ordination and silo working, with each service focusing on delivering the programmes they are responsible for rather than how they collectively contribute to the bigger picture.

- 2.16 Employment remains a dominant theme for councils, both as a cause of poverty but also its solution. However, as noted above, this often overlooks the large and growing numbers of people who experience in-work poverty. The dominant narrative concerning those on welfare benefits in poverty, results in an overly significant focus on employability programmes over other actions. Whilst minimum income levels are not set in Wales, employability should be seen in the context of the wider issues that those living in poverty experience.
- 2.17 Due to the broad nature of the poverty agenda, there are a wide range of potential partners for councils to engage with. This includes PSBs, CJs, Regional Partnership Boards and other local forums. We found that councils have adopted widely different approaches to working in partnership to tackle and alleviate poverty. And, because of the limitations in the national strategy and a lack of targets, the inconsistency between councils is adding an unnecessary level of complexity to partnership working, especially with public bodies that operate regionally.
- 2.18 To enable the greatest impact from services, councils need to plan specifically to tackle and alleviate poverty, drawing on a range of evidence and meaningful collaboration with partners. However, we found that planning is often focused on the contribution of the council alone, rather than the contribution of all partners. Councils deliver a large range of services that help and support people living in poverty, but few look to build on this with meaningful links with other partners. The lack of co-ordination often means councils are reliant on individual service areas forming their own links, despite lacking the spare capacity to do this.
- 2.19 Collaboration in some councils takes place within existing forums that overlap with the poverty agenda, both internally and externally, but other councils have gone further. Swansea formed a council-wide co-ordination group that brings senior officers together within their Tackling Poverty Framework. Similarly, Wrexham has recently created a cost of living working group to support local residents in relation to benefit maximisation, reducing costs on energy, fuel poverty and winter pressures. Others, such as Monmouthshire and Flintshire, have drawn together external reference groups to involve other partners, such as food banks or Citizens Advice. The PSB has played a similar role in Ceredigion.
- 2.20 The best councils have prioritised their work with third-sector partners to invest and deliver advice and information activity to specifically help those in poverty. For example, Cardiff funds the local Citizens Advice and the Cardiff and Vale Credit Union to provide bespoke advice to individuals who present themselves to the council's Money Advice Team. To ease their partners' administrative burden, Bridgend has a central grants team to streamline grants provided.

- 2.21 Effective leadership is also required to drive the poverty agenda forward. Strong and coherent leadership can offer the impetus for councillors and officers to break silos to work collaboratively to deliver shared objectives and provide a focus for partnership working. We found that only eight councils have a cabinet member responsible for poverty and eight councils a senior officer with corporate responsibility for leading on tackling poverty.
- 2.22 One growing concern is the difficulty in attracting sufficient talent to deliver what are often very demanding and challenging services. A significant proportion of council officers we interviewed noted a growing problem of recruiting and retaining essential staff, both within their organisation but also key third-sector partners. Issues of growing workloads, reductions in capacity, increasing burn-out from frontline work during the pandemic, less competitive salaries and the impact of inflation on wages were all flagged as major risks.
- 2.23 In 2022, the Welsh Local Government Association (WLGA) established a Poverty Group bringing council officers together to share approaches, identify opportunities for joint working and lobby for change. Whilst at an early stage in development, this group offers a potential forum for good practice exchange and collaboration. The roles of officers that attend are wide reaching, reflecting the broad poverty agenda, but also the absence of a central anti-poverty team in most councils. This will make it more difficult for the group to co-ordinate and agree concerted action because the responsibilities and influence of individual officers vary from council to council. This is something the WLGA is planning to address.

Large sums of money are being invested in tackling and alleviating poverty, but no one knows how much, and the way money is allocated and managed limits its positive impact

The Welsh Government makes significant revenue funding available to councils to alleviate the impact of poverty but the total level of spending is unknown

- 2.24 The Welsh Government funds a wide range of programmes that support people in poverty. This includes wide-ranging awards, such as the Children and Communities Grant, and more targeted funding, such as digital inclusion. Collectively, we estimate that this revenue funding is worth over £1 billion in 2021-22¹⁸.

2.25 In response to the cost-of-living crisis, the Welsh Government has allocated additional funding in both 2021-22 and 2022-23. £152 million was provided in 2021-22 to fund £150 support payments for households living in properties within council tax bands A to D. A further £25 million was also made available for a discretionary council tax scheme, with payment criteria to be set by councils according to local need. This has included:

- a payments to those who are exempt from council tax;
- b payments to people living in homes in bands E and F;
- c payments to those receiving free school meals;
- d supporting homelessness prevention support; and
- e top-ups for discretionary housing payments.

Additional budgeted support for 2022-23 totalled £162 million and includes a winter fuel support fund, holiday hunger support, and vulnerable family support.

2.26 Because the poverty agenda is so broad and poverty-related activity is captured within the broader Welsh Government base budgets, it is difficult to identify and quantify the specific level of spending that is being provided to tackle and alleviate poverty in Wales. This, in turn, makes assessing the impact, or the value for money, of this funding difficult to measure.

No council knows the full extent of its spending on alleviating and tackling poverty

2.27 No council has a dedicated budget or can identify the total amount of revenue spending used to tackle and alleviate poverty. As with the Welsh Government, this is largely due to the wide definition of programmes that support those in poverty, limitations in budget designations and a lack of understanding on how money is allocated and used.

2.28 Some councils, such as Swansea and Carmarthenshire, do know the total Welsh Government grant funding provided to them and committed on poverty initiatives. But no council officer we interviewed was able to quantify the proportion of spend or how many staff in frontline services are helping to alleviate and tackle poverty. Given the significant amount of activity related to poverty, this would be a significant task that councils do not have the capacity to undertake.

All councils are dependent on grants but weaknesses in programmes mean that funding is not making the impact it could

2.29 The vast majority of officers we interviewed acknowledged that the funding provided by the Welsh Government is essential to helping councils tackle and alleviate the impact of poverty. Without this funding it is clear the situation would be much worse than at present. Despite this, during our interviews, some common weaknesses were identified.

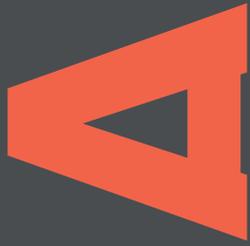
- 2.30 Poverty-related Welsh Government grants are often linked to defined programmes for councils to deliver, such as Families First. These are often seen as separate to council-initiated programmes within corporate plans. As a result, often when the Welsh Government funding stops the programme stops, leading to short-term, limited interventions.
- 2.31 Funding is generally allocated to initiatives that are tightly focussed and/or have a high administrative burden to process and deliver. Often grants have short timescales which can make it challenging to submit comprehensive, impactful bids or to fully spend funding prior to the financial year-end. Many we interviewed and surveyed noted that the annual cycle of bidding does not support councils to tackle the more difficult and longer standing problems. This promotes spending on easy to deliver initiatives, rather than on activity which can make a greater impact. It also means that officers are under significant pressure to deliver existing work and to respond to grants due to a lack of resources after cuts during years of austerity.
- 2.32 Weaknesses in guidance and grant restrictions can also limit the impact of funding. Some grant restrictions mean that groups that experience poverty, such as residents in Houses of Multiple Occupancy or members of the travelling community, are unable to receive funding. Digitally excluded residents can also be prevented where schemes are administered and resourced online.
- 2.33 This increases the importance of having knowledgeable customer-facing staff in order to navigate the complex range of funding streams and the different programme conditions. Some councils reported finding it particularly challenging to recruit to grant-funded roles in recent years due to the short-term nature of project working and uncertainty of whether grant funding will continue. Multiple application processes, programme eligibility restrictions, and difficulties in applying have all led to lower levels of take-up under some programmes, which has required councils to invest additional resources to increase their coverage. These each function as barriers to people receiving the intended support and limit the impact of programmes and interventions.

- 2.34 Unsurprisingly, some councils have sought to address this by streamlining activity to reduce bureaucracy and duplication. For example, Rhondda Cynon Taf brought together separate funding programmes into a single service to help target action on the most vulnerable and to avoid people slipping through the net. The Council acknowledges that there is more to be done, but this new single gateway approach is supporting the council to shift to focus on early intervention and prevention. Likewise, Bridgend brought together five different employment funding streams under Employability Bridgend to create a single gateway to services. Caerphilly also recently created a £3 million cost of living hardship fund to undertake a series of initiatives aimed at providing support to those most in need¹⁹.
- 2.35 Grant funding to support people in poverty has also historically been provided by EU Structural Funds (ESF). Between 2014 and 2020, Wales spent £595.12 million of ESF on a range of skills, youth employment and attainment, and employability programmes. The UK Government has replaced ESF with the UK Shared Prosperity Fund (SPF) and the Levelling Up Fund (LUF). The SPF monies are calculated using a formula and are allocated directly to councils rather than managed by the Welsh Government. The LUF is allocated by the UK Government according to bids against assessment criteria.
- 2.36 Overall, the Welsh Government has calculated that Wales will receive substantially less funding through the SPF than ESF, a shortfall of £772 million between 2021-22 and 2024-25²⁰. And with LUF based on bids, some areas of the country are likely to miss this funding in its entirety. Consequently, Wales is predicted to have less money available to tackle and alleviate poverty going forward²¹.

¹⁹ <https://www.southwalesargus.co.uk/news/23019836>

²⁰ Welsh Government, [Written Statement: Loss of funding to Wales as a result of the UK Government's arrangements for replacement EU funding](#), May 2022

²¹ Welsh Parliament, [The Shared Prosperity and Levelling Up funds: what's the latest?](#), May 2022



Delivering local government services to help people in poverty

03

- 3.1 In this final section of our report, we consider how councils are shaping their services to consider the needs of people living in poverty, looking at the importance of experience mapping and the work of poverty truth commissions. We look at how councils are changing and modernising service delivery and how they need to shape these responses to consider people in poverty. Finally, we consider how councils evaluate past work to help determine future policy choices and consider the robustness of socio-economic impact assessments.

The lived experience of poverty is mostly not shaping council service delivery

- 3.2 Because people often only seek help at the point of crisis, it is crucial that councils create person-centred services. This is especially important in respect of poverty which carries a stigma of embarrassment and shame. People we spoke to noted that by the time they seek help, they are often dealing with extremely personal and seemingly impossible problems, which creates considerable stress and anxiety. If councils are to fully understand the nature of living with poverty, and how the decisions they take and the services they deliver improve or worsen this experience, then they need to understand what it is like to navigate your way through what can often be complex and daunting council processes.
- 3.3 Working to understand these experiences at scale is best done through experience mapping – **Exhibit 6**.

Exhibit 6 – Experience mapping

Experience mapping can help a council understand the overall experience a customer has with its services, physical and digital. It then allows councils to make better-informed decisions when setting policy and agreeing budgets to ensure they are doing all they can to help people in poverty. Identifying barriers that are common to people seeking support from councils can prompt changes to services making it a less daunting and more inclusive experience for people.

Elements of a successful experience would include:

- focusing on poverty from the user's lived experience to determine whether services are geared and structured to help tackle poverty;
- judging how well councils are targeting resources where they can have the most effect;
- collaborating with people to understand the causes behind their experiences of poverty;
- ensuring consistent face-to-face contact is the norm to offer a personal service and to talk through the process and act as an advocate to help them navigate through services;
- working to understand 'what matters' to that person;
- understanding the barriers to that person accessing services –where the pinch points are, and whether services are sufficiently co-ordinated and integrated; and
- involving the individual in creating an action plan that helps lift them out of poverty.



- 3.4 One approach to gathering 'lived experience' views to help inform policy and budget choices is through the use of 'Poverty Truth Commissions.' Poverty Truth Commissions are models of direct citizen engagement in decision-making, usually hosted by councils but independent of them. They bring together people with lived experiences of poverty, decision-makers, public and private-sector leaders and wider civil society. A nationally recognised model of practice, Poverty Truth Commissions enable residents to directly inform and shape the policies and programmes of councils and partners to ensure those experiencing poverty offer challenge and feedback.

- 3.5 An additional benefit of the Commissions is the relationships that are forged between the community – both sets of Commissioners will gain valuable insight from the other, who can then feed this intelligence back to their social and professional networks. They have proved successful in enabling councils like Glasgow and Leeds to design services that better meet the needs of people in poverty.
- 3.6 The Swansea Poverty Truth Commission²² brings together those living at the sharp end of poverty with key decision makers to work together towards tackling and overcoming poverty in Swansea. It is placing those affected by poverty at the heart of decision-making about poverty by creating safe spaces for people with lived experience of poverty to tell their stories, build relationships with each other, and with influential decision makers in the local area. The Swansea commission has just been established and is in the early stages of organising its programme of work. However, other councils have not adopted this model and people we interviewed noted that service users are not consistently shaping policies, service delivery choices and budgets for tackling and alleviating poverty.

The experience of commissioners in Swansea...

'Going to the services is like continually hitting a brick wall. Not just having to repeat the story all the time, it's being unable to reach a person who is not a jobsworth.'

'There needs to be recognition that services cavuse a lot of people's trauma. Whether that is social care, education or health. A lot of the services cause trauma. Not even just about communication. The system has processes to work through that are damaging.'

'It's like the underground with the train coming into the platform and it's 'mind the gap.' This gap has just got wider and wider over the years.'



Source: Audit Wales interview with the Swansea Poverty Truth Commission, April 2022

22 [Swansea Poverty Truth Commission's website](#)

Councils are changing how they deliver services as a result of the pandemic and ongoing budget pressures, but the new models of delivery are not always helping people in poverty

- 3.7 The pandemic created many challenges for councils. Offices, schools and workplaces closed, and face-to-face interactions between many staff and people requiring services stopped. Consequently, councils had to respond creatively to ensure that the services people needed and depended on were available and accessible. In the wake of the pandemic, these innovative solutions, strategies, and technologies have helped to create a new service delivery landscape.
- 3.8 Councils and citizens alike are now living in a challenging and transformative climate where 'brick-and-mortar' provision is less prevalent and relevant, and digital is becoming the default options for many services. For some councils, this is part of a journey that they embarked on pre-pandemic. For others, it is just the beginning. For all councils, however, it is important they continue to connect with and work to help those who most need their assistance, in particular people in poverty. This should be central to the decisions and choices they make.

Shifting services online continues to grow in importance but digital exclusion remains a major challenge, especially for people in poverty

- 3.9 There are clear benefits to shifting to digital services, for both service users and councils. Encouraging those who are at most risk of poverty to access services online helps people to be more self-reliant, gives them access to up-to-date advice and can help users who are unable to travel long distances access the services they need. For councils, they are able to reduce administration costs, and with a well-designed system, can ensure services are better integrated.
- 3.10 However, digitising services can cause difficulties. Data published by the Office for National Statistics²³ (ONS) shows that the number of people who have never used the internet remains stubbornly high in Wales – 8% of the population. This is higher than Scotland and England but lower than Northern Ireland. The areas in Wales with the poorest levels of connectivity are Powys (20.3%); Central South Wales Valleys (15.4%); and Gwent Valleys (14%). The areas with the best connectivity and internet usage are Monmouthshire and Newport (4.2%); Swansea (5.3%); and Cardiff and the Vale of Glamorgan (5.4%).

- 3.11 In terms of economic activity status, at a UK level those with the poorest levels of internet usage are retired people (28.9% of whom never or rarely use the internet) and people who are economically inactive (9.5% of the total). Research published by Lloyds²⁴ also found that Wales has the highest number of people who have not used the internet in the last three months – 13% of the population – and those earning under £20,000 are more likely to be offline and less able to use digital services.
- 3.12 Ensuring the growing shift to digital does not leave anyone behind or, if people struggle to access services digitally, support is put in place to help them is therefore critical. We found that most councils recognise the problem of digital exclusion, with 14 of the 22 Welsh councils having adopted a digital strategy and many of these focus on tackling digital exclusion. For example, Cardiff Council's digital strategy makes a commitment to reduce potential exclusion from digital services by:
- a employing officers with specific responsibilities for digital inclusion;
 - b providing 4G devices to those who are unable to afford to purchase equipment;
 - c offering digital surgeries across the city;
 - d introducing free weekly drop-in sessions to provide help assistance to people who are less IT confident; and
 - e creating a dedicated public phone line for digital queries.
- 3.13 However, the range and comprehensiveness of support in Cardiff is not always replicated elsewhere. While 15 of the 22 councils specifically reference the negative impact of digital exclusion as an area for action in a corporate plan or strategy, only 12 councils are providing people with access to a digital skills inclusion programmes and only five provide devices to help people access online services. In addition, no council has a single landing page or dedicated web resources focussed on poverty that bring together all the councils work in one easy-to-find area which proactively promotes in a single place what people need to do get the help they require.
- 3.14 One priority of the Welsh Government's Child Poverty: Income Maximisation Action Plan is to ensure families in Wales are supported to claim all the financial support they are entitled to through the development of a 'tell us once' approach. Having a 'single entry point' to services helps to reduce complexity in the system and places the citizen at the heart of service delivery by requiring councils to make the links and provide services rather than someone having to write, telephone or even attend each service individually to ask for help.

3.15 The findings from our review highlight that councils still administer, manage and provide services in a wide variety of ways and no council has created a single gateway into services. For example, people have to complete multiple application forms that often record the same information when applying for similar services. Having to tell and re-tell your story in order to access related services, as information is not shared between organisations, can discourage people from seeking help. For instance, links with other types of support provided by other organisations such as managing debt, food banks and wider advice vary widely. There is also an enduring resistance to sharing information across systems, between council departments and with partners because of concerns over data protection and a fear of being penalised.

Comprehensive and integrated publicity, advice and information services can significantly help people who are struggling but the picture across Wales is mixed, and councils find it hard to prioritise preventative work because of the high numbers of people in crisis

3.16 The public service landscape is wide, varied and complex with a mix of organisations from different sectors delivering a huge range of services which are rarely co-ordinated with one another. People can find it difficult to navigate the system and access the support they need, particularly when they are struggling to make ends meet.

3.17 We found some positive examples of how council and third-sector services are integrating and collaborating to provide a comprehensive response focused on helping people in need. For instance, in Cardiff, the local Citizens Advice Bureau, the Cardiff and Vale Credit Union and Cardiff Council advice services operate from community Hubs across the city. Through this collaborative work the council and its partners are providing a one-stop advice service which is helping people to access more money and support.

3.18 Similarly, Denbighshire County Borough Council are working through the Rhyl Community Development Board to target those in the most need and provide support and assistance. Some councils also regularly run advertising campaigns to ensure people are aware of what is available and to what they are entitled. Flintshire's [Holiday Hunger](#) campaign which supported the distribution of thousands of meals during school holidays and Neath Port Talbot and Swansea councils' joint communication campaign to increase take-up of pension credit.

- 3.19 However, these approaches are not always replicated, and some councils operate independently of partners, which can create difficulties for people in poverty. Those we spoke to noted that they often find it hard to find information, do not know where to start, or who to go to, particularly when multiple organisations offer similar services. Feedback from people who use advice services noted that when they are able to access services quickly and can get in-depth advice and support, this is often sufficient to prevent smaller problems turning into an unmanageable crisis.
- 3.20 Citizens Advice Cymru and Swansea Council both noted that people are often reluctant to engage with a council and seek help if they also owe money to them, fearing that the council will pursue them for non-payment of debt. To address this, Swansea Council is developing a Corporate Personal Debt Recovery Policy which will set out the principles for supporting people that have overdue personal debt with the council.
- 3.21 During interviews, most officers felt that council activity is mostly focused on dealing with people in crisis rather than preventing people getting into poverty in the first place. This is mostly a reflection of the high levels of demand for services from people who are struggling day to day and are unable to manage without support. For example, Citizens Advice recently reported that demand for their services has increased by 200% in the last two years²⁵. We also found that the main focus of prevention work is the provision of timely advice, especially ensuring people access the benefits they are entitled to, and supporting people into employment. These services can be provided directly by councils but also by third-sector bodies, in particular, organisations like Citizens Advice.

Community hubs offer an opportunity for councils to help people at the point of crisis

- 3.22 Shifting services to communities, particularly through the development of community hubs, allowed councils to co-ordinate responses and ensure services remained available during the pandemic. These hubs strengthened the visibility of council services in the community during the pandemic and were often the first port of call for vulnerable people. With poverty in mind they can also act as the first port of call to ensure people get help.
- 3.23 Some provided services directly while others offered a triage service, assessing need and making referrals to other council or partner services. During the pandemic, they helped distribute fuel poverty funding and fast-tracked self-isolation payments. For example, Cardiff created 22 community hubs, Ceredigion has five community hubs, Newport four community hubs, and under the North Wales Economic Ambition Board there are five Covid Support Hubs.

²⁵ <https://www.itv.com/news/wales/2022-10-03/its-a-scary-time-citizens-advice-sees-200-jump-in-people-needing-help>

3.24 Hubs are also often multi-purpose, providing and hosting a range of activities and services that are used by lots of different people. The range of services reflects local need and may be delivered by local people, other organisations or public agencies. They also support better joint working and more integrated services. They can transform existing, unused buildings and provide a focus for community-led regeneration. Their core strength is that they provide a stronger presence in communities and are able to respond more quickly to people who are struggling. Community hubs can therefore help build more cohesive and resilient communities.

Understanding the potential impact of policy decisions and knowing what works vary widely

3.25 Understanding the impact of policy and budget decisions, both at the point you agree action but also when you evaluate the impact and success of your decisions, is essential if councils are to maximise their efforts in tackling and alleviating poverty. A thorough and informed impact assessment will help public services to avoid making bad decisions and support them to deliver their legal responsibilities. And having comprehensive, good quality and relevant data that is evaluated, scrutinised and challenged will strengthen accountability and enable corrective action to be taken quickly.

All councils undertake some form of assessment to determine the likely socio-economic impact of policy choices and decisions, but the approach varies and is not always effective

3.26 The Socio-economic Duty came into force in Wales on 31 March 2021. It aims to improve decision making and help those who are socio-economically disadvantaged. Councils now have to think about how their strategic decisions, such as setting objectives and developing public services, can improve equality of outcome for people who suffer socio-economic disadvantage. In particular, when making strategic decisions on tackling poverty, councils must demonstrate how they are effectively considering the views of those affected by those decisions. This can only be achieved by involving people through effective engagement and consultation, considering their views carefully and ensuring that policy reflects the views of citizens.

3.27 We found that all councils undertake some form of assessment to determine the likely socio-economic impact of decisions. Many use an integrated impact assessment that brings together all statutory and key corporate policy considerations in one place, focussing on the implications in relation to, most usually, corporate plan priorities; well-being objectives; the Welsh language; equalities; wider council legal, people and finance issues; and the new socio-economic duty. Some also consider the Human Rights Act and the UN convention of human rights for children.

- 3.28 Swansea Council has a comprehensive integrated impact assessment that not only considers in detail the likely impact of a policy decision on the various statutory responsibilities but also includes sections covering:
- a involvement activity setting out those the service has engaged with in determining its strategic policy such as partners, service users and those it is co-producing with;
 - b an assessment of the cumulative impact/mitigation to ensure the policy is considered in the round showing how it links across services provided across the council;
 - c how the council service will monitor and evaluate impact to be able to make changes swiftly; and
 - d an action plan setting out the activities the Council will take as a result of the Integrated Impact Assessment.
- 3.29 Caerphilly also includes six detailed socio-economic assessments rather than a single catch-all consideration. These cover specific assessments looking at low income/income poverty; low and/or no wealth; material deprivation; area deprivation; socio-economic background; and socio-economic disadvantage. This enables the Council to consider socio-economic issues in significant depth to better target action.
- 3.30 We also found weaknesses in other councils' socio-economic impact assessments. Several impact assessments we reviewed concluded that there is no need to conduct a thorough assessment even when the policy has clear socio-economic implication. For example, reductions in services and cuts in budgets. In others we found that some completed assessments were very brief, skirting over the potential socio-economic impact of a policy and lacked detail on critical socio-economic implications in relation to COVID Recovery plans, changes to criteria for grants and other assistance. And this was despite several councils framing the policy presented for decision in helping it to address poverty.
- 3.31 The evidence drawn on and used to complete assessments also varies in terms of depth and quality and not all use the rigour adopted in Swansea and Caerphilly. For instance, we found consultation and involvement information was often out of date drawing on pre-pandemic data or insufficient to provide meaningful feedback to help shape conclusions in the impact assessment.

Understanding need and drawing on a wide range of data to shape responses remain an area for improvement and most councils struggle to demonstrate the value of their work in alleviating and tackling poverty

- 3.32 Good understanding of local and national data is needed to develop specific, timely actions that can make the most impact. It also enables councils to identify effective programmes with positive outcomes, which is essential to creating effective oversight and scrutiny of activity. Most councils draw on WIMD data to identify local areas of deprivation. Whilst this is a useful foundation, this data is mostly historic and out of date. It is now particularly weak as it was last updated prior to both the pandemic and cost-of-living crisis²⁶.
- 3.33 We found, however, that councils are not making full use of the significant amounts of data they collect and hold. At present, councils focus more on recording delivery of specific projects capturing numbers assisted and not enough on impact, wellbeing and the wider benefits of investment. These weaknesses and limitations in coverage and focus do not allow for a comprehensive evaluation of performance, especially as councils often report information in silos and do not collate data to enable a comprehensive picture of activity and impact across the council to be drawn. Similarly, we found that there is little comparison or benchmarking of performance with other councils to help identify opportunities for improvement. This is not helped by the lack of national indicators and targets. As a result, while councils can identify the actions they are taking, these weaknesses make it difficult to truly know how well they are performing and whether the resources they are spending are making the best impact they can and represent value for money.
- 3.34 Efforts to improve data gathering and analysis to better target actions and impact are therefore an area for improvement. The Isle of Anglesey and Ceredigion councils have developed dashboards of publicly available data to help prioritise future action. The Isle of Anglesey worked in collaboration with Data Cymru to develop such a dashboard.
- 3.35 Going further, Neath Port Talbot uses a low-income tracker that combines council and publicly available data to improve how and where they target support for those who are known to the council and already receive services. In addition, Data Cymru has recently published a [data tool](#) that collates publicly available key data in one place.
- 3.36 Cardiff collects good data to demonstrate the impact of its interventions. In 2020-21, the Council assisted roughly 17,000 people through its advice centre and through the Adviceline, and claimed an additional £14 million in welfare benefits for people. Similarly, the 'Caerphilly Cares' programme in 2020-21 secured an additional £5 million of income for council-house tenants in the county borough and prevented any evictions from council housing.

26 The [Wales Index of Multiple Deprivation](#) was last updated in 2019.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Approach

Our approach was to understand councils' strategic planning and delivery of actions to support those who live in poverty. We examined the ability to alleviate the immediate impact of poverty on people, as well as councils' ability to tackle it as an issue in the long term.

This report sits alongside other forthcoming reviews examining how councils empower the resilience of communities and the role of social enterprises in delivering public services. Combined they serve to examine how councils empower citizens to tackle and prevent issues developing into a crisis that requires statutory intervention.

We examined all 22 principal councils in Wales at a high level, managing delivery to be mindful of the pressures council officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' delivery. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

Methods

We completed our review between April 2021 and September 2022 and used a range of methods in delivering our review:

- **document review:** we reviewed documentation from the Welsh Government, councils, Public Service Boards and other relevant public bodies. We also reviewed a range of publications from charities, representative groups, other public bodies in other UK countries, and publications by the UK Government.
- **interviews** – we undertook a range of different interview types:
 - officer interviews – we interviewed officers nominated by all Welsh principal councils, generally those with responsibility for poverty or an associated service area, such as employability, benefits, or Welsh Government programmes. These took place between January and May 2022.
 - national interviews – we interviewed representatives of Welsh charities, food banks, third-sector groups, and civil servants. We also interviewed representatives of UK charities, organisations, and officers of councils in other UK countries. These took place between March and July 2022.
 - academic interviews – we interviewed academics focused on poverty and destitution from three UK universities. These took place between March and April 2022.
- **focus groups** – we undertook two types of focus groups:
 - officer focus groups – in line with our approach, some councils felt it was more appropriate for us to speak to a range of officers in focus groups to reduce our impact on service delivery.
 - lived experience focus group – we held a focus group in April 2022 with representatives of Swansea Poverty Truth Commission to understand and listen to their experiences.
- **survey** – we surveyed 16 clients of Rhondda Cynon Taf Citizens Advice for their experiences of poverty in June 2022.
- **data analysis** – we collected and analysed a range of publicly available datasets from the Welsh Government, the UK Government, the Office for National Statistics, and third-sector organisations.



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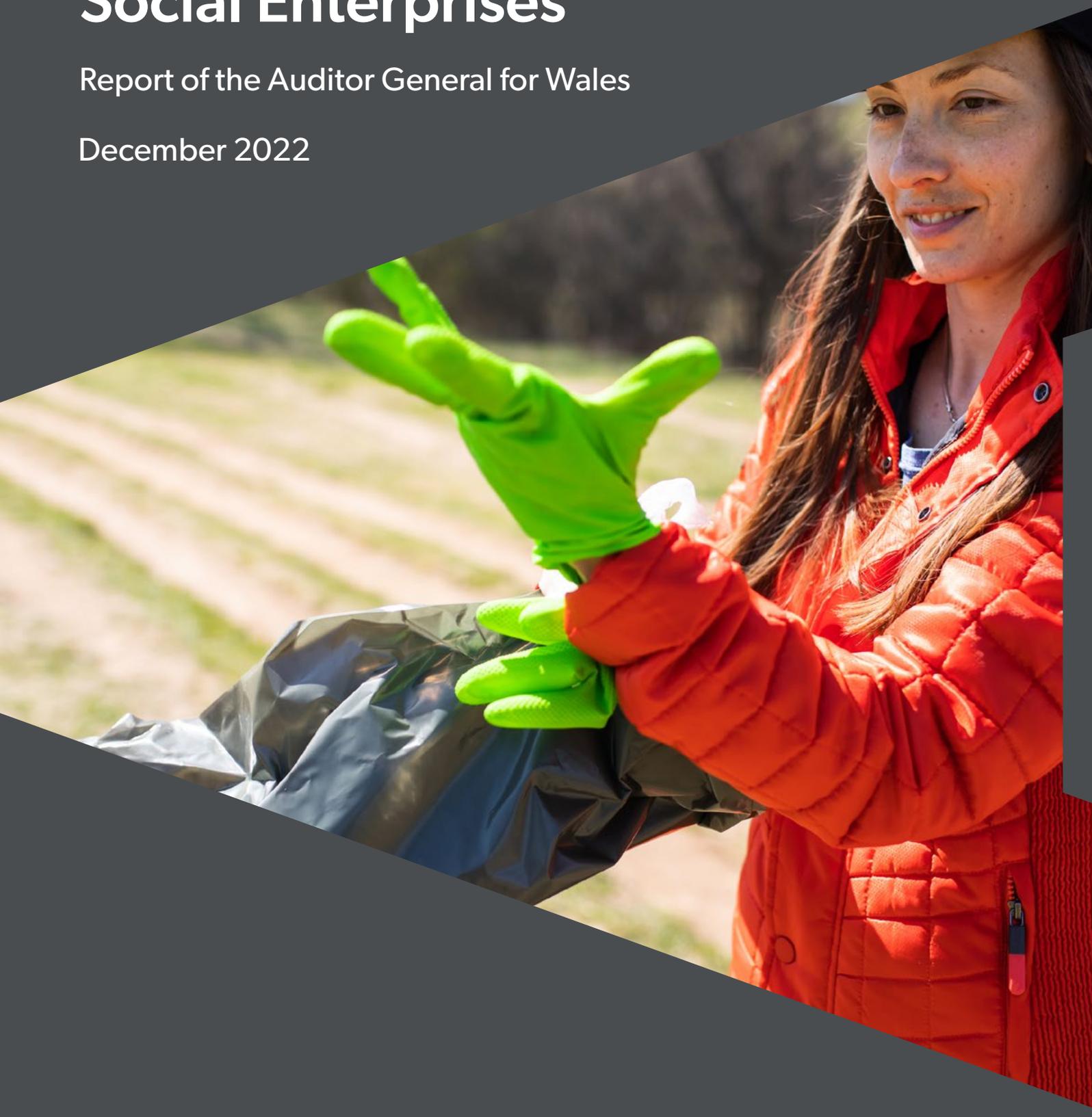
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'A missed opportunity' – Social Enterprises

Report of the Auditor General for Wales

December 2022



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Context

- 1 As organisations, Social Enterprises sit between the public and private sectors. They apply commercial strategies to maximise improvements in financial, social and environmental well-being, often for individual groups in society, defined communities or geographical areas. In particular, Social Enterprises can benefit disadvantaged communities; create wealth where money is scarce; and help to tackle poverty and need. The structure of Social Enterprises vary and include partnerships for-profit or non-profit, co-operatives, mutual organisations, social businesses, community interest companies and charities.
- 2 Social enterprise can therefore work in every sector of the Welsh economy and in all parts of the country and are increasingly prominent in Welsh Parliament legislation. Section 16 of the Social Services and Well-being (Wales) Act 2014 places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Likewise, the ethos and approach of Social Enterprises fits well with the Wellbeing of Future Generations Act 2015. Social enterprises can make a significant contribution to delivering the seven national wellbeing goals by helping to create a fairer and more equal country.
- 3 Importantly, because Social Enterprises focus on keeping wealth within communities, they can assist people who are in poverty by:
 - directly helping people in disadvantaged communities by providing services that would otherwise not be available;
 - supplying basic public benefits such as social, educational, health and general economic interest services to local communities, including to people who are unable to pay;
 - creating new employment opportunities as a result of the services they supply;
 - contributing to the economic development of deprived communities; and
 - targeting their work to help disadvantaged people, including vulnerable women, people with disabilities and ethnic minority groups.
- 4 This report therefore looks at how local authorities are working to grow and make the most of Social Enterprises ensuring social value and social capital stay in communities and help people who are struggling. This is also the second report of our three reviews on the challenge of alleviating and tackling poverty in Wales. **Appendix 1** sets out our audit approach and methods and includes more information on our poverty themed work.

Key findings

- 5 Our overall conclusion is that local authorities are not effectively working with Social Enterprises to maximise their impact, make better use of resources and improve services for people and communities.
- 6 In **Part 1** of the report, we consider the strategic approach of local authorities to working with Social Enterprises. While they claim they value Social Enterprises, few local authorities have mapped their activity. Less than a third of local authorities consider themselves to have a proactive and supportive relationship with Social Enterprises and none have a dedicated strategy or policy that charts how they intend to promote and grow the sector.
- 7 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them but not proactively seeking to work with Social Enterprises or help stimulate new ones. This leadership vacuum has resulted in Social Enterprises often being at the fringes of local authority business. An overly reactive approach and variable support arrangements also means that local authorities are missing out on the potential for Social Enterprises to help deliver services that can improve people's quality of life.
- 8 In **Part 2** we consider the mechanisms local authorities have in place to ensure they maximise the potential value for money of Social Enterprises. While most local authorities provide grants for businesses and the third sector, they are not using them to specifically support Social Enterprises. Current procurement and commissioning arrangements often unintentionally discourage Social Enterprises to engage. Overly bureaucratic approaches and a lack of capacity and resources within local government also limits the potential to grow the role of Social Enterprises in delivering services. Social value – the added value that commissioning processes can deliver – does not feature as a key driver for many local authorities.

- 9 Finally, in **Part 3** we examine evaluation and impact arrangements. We found that most local authorities are not delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014 and effectively promoting Social Enterprises. No Director of Social Services Annual Report sets out how their authority is delivering the Section 16 duty and the majority of reports make little reference to Social Enterprises. Positively, a number of authorities are working to develop micro social enterprise businesses and Regional Partnership Boards have a growing role to drive positive change. Taken together, these represent good opportunities for the future. Despite this, over three-quarters of local authorities do not have robust performance management, reporting and evaluation systems in place to be able to judge the impact and value of the work of Social Enterprises.



Social Enterprises play an important role in meeting needs and helping people in communities across Wales. Local authorities could do more to maximise the impact of Social Enterprises, get better value for money from their work, and improve services for people and communities.

Adrian Crompton
Auditor General for Wales



Key facts

The Value of Social Enterprises

- In 2021 the UK had over **100,000 Social Enterprises**, worth a combined **£60 billion** to the UK economy employing 2 million people.
- The Social Enterprise sector in Wales in 2020 – up to **2,309** businesses employing **56,000** people and generating **£3.1 – £3.8 billion** in value.
- In Scotland in 2019 there were estimated to be **6,025** Social Enterprise businesses, with **88,318** staff and a net worth of **£6.1 billion**.
- Between 2018 and 2020 the Social Enterprise sector in Wales increased by **12%** rising from **1,601** organisations in 2016 to **2,247** in 2020.
- In Scotland Social Enterprises increased by **15.9%** between 2015 and 2019 rising from **5,199** to **6,025** in this period.



The size and turnover of the sector in Wales

- **5%** of Welsh Social Enterprises are medium sized to large (i.e. have at least 50 employees), far above the equivalent for all businesses within the Welsh economy (only **1%**).
- **32%** of Social Enterprises surveyed had no paid staff at all, whilst a further **9%** only had one.
- In 2020 the mean average turnover level was **£1.25 million**, of which:
 - **43%** have a turnover of between **£0** and **£50,000**;
 - **34%** turnover between **£50,001** and **£250,000**;
 - **14%** turnover of between **£250,001** and **£1 million**;
 - **6%** turnover of between **£1.01 million** and **£5 million**; and
 - **4%** over **£5 million**.

Recommendations

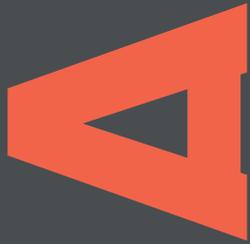
- 10 Our recommendations are set out below. We expect each council to consider the findings of this review and our recommendations, and that its governance and audit committee receives this report and monitors its response to our recommendations in a timely way.

Recommendations

- R1 To get the best from their work with and funding of Social Enterprises, local authorities need to ensure they have the right arrangements and systems in place. We recommend that local authority officers use the checklist in **Appendix 2** to:
- self-evaluate current Social Enterprise engagement, management, performance and practice;
 - identify opportunities to improve joint working; and
 - jointly draft and implement an action plan with timeframes and responsibilities clearly set out to address the gaps and weaknesses identified through the self-evaluation.
- R2 To drive improvement we recommend that the local authority:
- formally approve the completed Action Plan;
 - regularly report, monitor and evaluate performance at relevant scrutiny committees; and
 - revise actions and targets in light of the authority's evaluation and assessment of its performance.

Recommendations

- R3 To ensure the local authority delivers its S.16 responsibilities to promote Social Enterprises we recommend that it reports on current activity and future priorities following the evaluation of its Action Plan including the Annual Report of the Director of Social Services.



Social Enterprises can provide important services, but most local authorities lack a coherent strategy and are not working collaboratively to help support their growth and development

01

- 1.1 In this section of the report, we consider the strategic approach of local authorities to working with Social Enterprises. We review local authority plans, the range of information used to identify and prioritise action and arrangements to support the development of Social Enterprises. We also consider how well local authorities and Social Enterprises work together.

While they claim they value Social Enterprises, few local authorities have mapped their activity or planned how they will collaborate with them to maximise their impact

Local authorities have not mapped out the social enterprise sector in their area

- 1.2 In order to maximise impact, it is essential that local authorities have a full and detailed knowledge of the services Social Enterprises provide. Unless you know who works in your area, what services they provide and what opportunities they offer, it is difficult to develop a coherent strategic response. In this context, mapping is critical for local authorities to understand the contribution that Social Enterprises are making and the barriers they face to growing their role and enhancing their value in communities.
- 1.3 We found that very few local authorities have completed any formal mapping exercise to either understand the current role and contribution of Social Enterprises in their area or to identify opportunities for the future. While some noted that they have databases of Social Enterprises, these are out of date, mostly as a result of the pandemic.
- 1.4 Generally, those local authorities that have dedicated staff with a responsibility for working with the social enterprise sector, or business support staff in economic development, had a better understanding of the local situation and could describe relative strengths, weaknesses and opportunities. However, even in these circumstances, officers acknowledged that there were still gaps in their understanding and their intelligence was not sufficient to drive future strategic choices and priorities.

1.5 **Exhibit 1** below shows that the social enterprise sector in Wales is primarily community-based with most organisations operating in only one local authority area. This is markedly different to England where Social Enterprises are more likely to work across several local authority areas and often operate regionally, nationally and internationally. For instance, in 2021 only 23% of Social Enterprises in England¹ work in one local authority.

Exhibit 1 – number of Welsh local authorities Social Enterprises operate in

Just over 60% of Welsh Social Enterprises work in one local authority area and less than a quarter in six or more local authorities

Number of local authorities	2016	2018	2020
One	62%	59%	61%
Two	7%	7%	7%
Three	8%	7%	7%
Four	3%	3%	2%
Five	2%	3%	2%
Six to fifteen	6%	4%	4%
Sixteen to twenty-two	12%	15%	18%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

1.6 Given that Social Enterprises in Wales are primarily community based, often concentrated in areas of deprivation², it is important that local authorities undertake a wider mapping exercise to better understand the sector and the opportunities they present and use this information to inform their future plans. If authorities do not have a good understanding of the sector then it will be difficult for them identify opportunities to work collaboratively and agree actions to promote and grow Social Enterprises.

1 Social Enterprises UK, No Going Back: State of Social Enterprise Report 2021

2 Research by [Social Business Wales](#) found that 45% of social businesses operate in the top 40% most deprived areas in Wales, and only 30% operate in the 40% least deprived areas.

Local authorities speak about the value of Social Enterprises but are not always translating this into action

- 1.7 A strategic approach to working with Social Enterprises will ensure the local authority as a whole understands what Social Enterprises offer and will set out how the local authority is seeking to maximise the benefits of working with Social Enterprises. Moreover, given Social Enterprises contribute to the enhancement of social cohesion, to the accumulation of social capital, and to a more equitable economic development at the community level, they are bodies with a strong poverty reduction focus. A small number of local authorities recognise that Social Enterprises could therefore be an inherently more sustainable method of delivering services given their deep-rooted work in communities and often strong preventive focus.
- 1.8 Research by Social Business Wales shows that Social Enterprises are particularly strong in areas that either complement the work of local government or where the role and work of local authorities has diminished in recent years. For instance, **Exhibit 2** shows a strong presence in community-based arts, leisure, recreation and youth work and important contributions in social care, health and education.

Exhibit 2 – proportion of Social Enterprises working in different sectors

Social Enterprises cut across a wide range of operational sectors but are primarily based in arts and recreation, community centres/groups, education, and health and care

Sector	Proportion 2018	Proportion 2020 ³
Arts, entertainment, recreation & other services	22%	26%
Community Centre / Social Space / Youth Club	8%	20%
Education	14%	10%
Health & Care	19%	9%
Business administration & support services	4%	6%
Other	9%	6%
Accommodation & food services	3%	6%
Agriculture, forestry & fishing	0%	3%
Information & communication	2%	3%
Retail	5%	3%
Property	6%	3%
Transport & storage	1%	2%
Professional, scientific & technical	6%	2%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021

³ The report suggests that due to the method of data collection (surveys), organisations which were more likely to close their doors (such as community spaces) are easier to contact and more likely to respond than healthcare organisations who are under heavy strain due to COVID-19.

- 1.9 Local authorities told us that they appreciate the good qualities of Social Enterprises and their potential, whether they provide services commissioned from the local authority or are merely active at a community level in the local area. However, we found that no local authority has a dedicated Social Enterprise strategy. And, while 10 of the 21 local authorities responding to our survey⁴ stated that they have a wider policy, strategy and/or plan that identifies the contribution of Social Enterprises, our review of these plans found that they are mostly limited, lacking detail on future priorities and opportunities for both local authorities and the sector.
- 1.10 For instance, none of the documents we reviewed set out a vision for Social Enterprises nor the potential outcomes that Social Enterprises can deliver for local authorities, residents and communities. A robust analysis of need was mostly missing from the Plans we reviewed and Social Enterprises did not receive more than a passing mention in any local authority's COVID-19 Recovery Strategy. As a consequence, priorities and actions for improvement are unambitious and limited, often overlooking added social value and social capital outcomes that Social Enterprises can secure. Our survey of local authority officers also found that only seven of the 21 authorities responding proactively engage with Social Enterprises in developing future plans and activity. Consequently, the significant benefits of working with Social Enterprises are less pronounced and often not shaping local authorities' priorities.

4 We surveyed all local authorities and received responses from 21 of the 22. Newport City Council did not respond to our survey.

Local authorities are not harnessing the potential of Social Enterprises to help deliver improved services, and a better quality of life for people

1.11 Successful Social Enterprises can have a good grasp of local need, work within strong local networks and have legitimacy as a voice for the community. They are, therefore, well placed to deliver services efficiently and innovatively. It is important therefore that local authorities help communities to identify needs, opportunities and proactively work with the sector to deliver the services people want. The growth and sustainability of Social Enterprises is therefore increasingly dependent on the opportunity and capacity for collaboration.

Effective local authority leadership on Social Enterprises is mostly absent

- 1.12 Leadership of the social enterprise agenda often rests with a handful of individuals in economic development or social care, but too often those managing these relationships are service managers and often not senior enough to direct resources, policies and decisions. For example, our survey of local authority officers found that only three of the 21 local authorities responding to our survey have a lead member for Social Enterprises and only six a lead officer.
- 1.13 We also found that most local authorities have adopted a passive leadership role, often responding to Social Enterprises that approach them rather than proactively seeking to work with existing Social Enterprises and help stimulate new ones. This is partly a reflection of some seeing Social Enterprises as 'risky,' citing issues with governance, handling of money, and legitimacy as areas of concern. Irrespective, this leadership vacuum is not helping to bring Social Enterprises from the fringes of local authority business to play a more central role.
- 1.14 More than half of the local authority officers we interviewed acknowledged that there was much more they could and should do to lead on this agenda, recognising that without an investment in senior leaders time, the local authority is unlikely to be successful in attracting new businesses and entrepreneurs to commit resources. Because leadership is generally poor, local authorities do not have a common understanding of how they want to work with Social Enterprises, which means that Social Enterprises cannot play a more active role in tackling poverty and disadvantage.

- 1.15 A number of local authorities in England⁵ have sought to create a more cohesive leadership approach by raising awareness to improve understanding. For instance:
- a hosting a social enterprise day within the local authority;
 - b putting on workshops for councillors and senior managers;
 - c ensuring senior management teams take responsibility for communicating their vision for Social Enterprises;
 - d setting targets for growth of the social enterprise sector; and
 - e developing activities to celebrate and promote social enterprise.
- 1.16 Good and effective leadership is therefore critical to support the Social Enterprise agenda's movement to the mainstream. Particularly as there is significant 'churn' in the Social Enterprise market which is mostly happening outside of any engagement with or support from local authorities. Research shows that the social business sector in Wales is very dynamic, comprising a core group of well-established organisations but also a growing group of start-ups.
- 1.17 For instance, in 2020 just under a fifth of Social Enterprises (17%) started trading within the last two years⁶ and double the number of start-ups in 2016. Start-up activity is particularly concentrated in Northeast Wales — Denbighshire and Wrexham account for 15% of all start-ups. With such a vibrant and ever-changing sector, it is important that local authorities take a more proactive and less passive approach in working with Social Enterprises if they are to maximise their potential and help support businesses that are struggling.

5 For example, Northumberland County Council raised awareness of the work conducted by social enterprises through information stalls aimed at staff, a social enterprise day and senior manager workshops to enhance understanding of the role and vision for the social enterprise sector. The local authority is also looking to create a cross-party member task group to consider how the local authority can support social enterprise. The task group will also champion social enterprise as a concept and promote a joint vision.

6 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

While there are good examples of how some local authorities effectively collaborate with Social Enterprise, most authorities are not effectively promoting opportunities to widen their role and maximise their impact

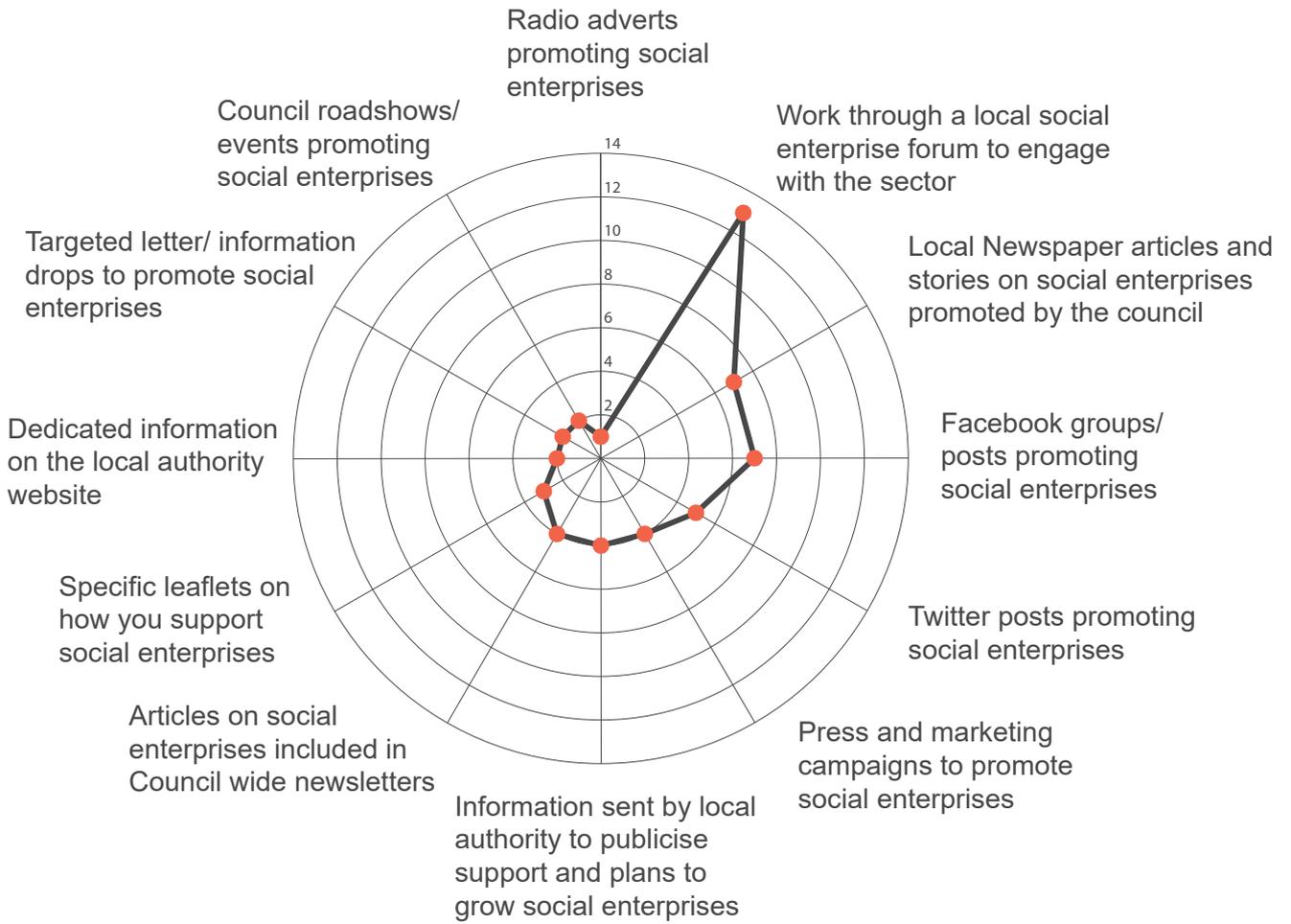
- 1.18 Collaboration between local authorities and the Social Enterprise sector can provide greater opportunities for all parties. It can also increase understanding by sharing knowledge. Just over half of local authorities have partnership boards or forums, usually with the third sector, which involve Social Enterprises, and a smaller number the presence of a sector led local Social Enterprise network. For example, the Blaenau Gwent 'voluntary sector group' brings together many partners, including Social Enterprises, and works with Transport for Wales, Jobcentre Plus, and others to prioritise future work, including opportunities to work with Social Enterprises, in the county.
- 1.19 In addition, a small number of local authorities have officers with specific responsibility for engaging with and developing relationships with Social Enterprises. For instance, the Business Enterprise Officer in Wrexham is the local authority's key contact with the local Social Enterprise Network. Generally, authorities with a better understanding of the barriers facing Social Enterprises are in a better place to work with the sector going forward.
- 1.20 The ways in which local authorities in Wales work with Social Enterprises to deliver services vary considerably. A small number of authorities have created and funded their own Social Enterprises. For example, in Torfaen, [Circulate](#) operates a recycling centre, providing recycling and waste disposal services which in turn help achieve the local authority's environmental sustainability goals. In the Vale of Glamorgan, the [Big Fresh Catering Company](#) is a social enterprise which provides food services to schools, businesses and private events, investing all profits into local schools. Other local authorities have externalised local authority services such as leisure services and libraries and transferred delivery responsibility to Social Enterprises with a proven record in delivering these activities.
- 1.21 In addition, officers we interviewed flagged the important role of Social Enterprises and the third sector more generally during the pandemic. Social Enterprises 'stepped up' to fill gaps in provision following the closure of frontline offices. One officer noted that 'Social Enterprises did amazing work during COVID-19, giving out food and making PPE. They deserve recognition. They stepped up to the plate at a time when some charities had to furlough all their staff!'

- 1.22 A number of local authority officers however, reflected that the pandemic had limited opportunities for involving Social Enterprises in the work of the local authority. While others noted that Social Enterprises 'value their independence' and do not respond well to local authority involvement. National organisations like CWMPAS and Social Business Wales are seen by some local authority officers as being better placed to work with the sector and determine future growth strategies. In addition, County Voluntary Councils also play an important support and development role linking between local authorities and Social Enterprises.
- 1.23 While almost all local authorities signpost to information on Social Enterprises on their website, only six local authorities had a dedicated page for Social Enterprises, and a small number had no information on Social Enterprises at all. Overall, we judge the quality and level of website information on Social Enterprises as limited. Too often information is not easy to find and is more than '3 clicks' away⁷. Local authorities are mostly not actively promoting opportunities to work with existing Social Enterprises nor effectively encouraging the creation of new ones.
- 1.24 The best local authority websites include:
- a a clear definition of what a Social Enterprise is;
 - b have links to a wide variety of organisations to access further and more detailed information, particularly on legal issues, such as Social Business Wales, CWMPAS, Social Enterprise UK or the WCVA; and
 - c provide contact details and information on local support programmes and grants administered by the local authority.
- 1.25 The findings of our officer survey set out in Exhibit 3 show that beyond working with forums or networks which include Social Enterprises as members, local authorities are not using all the available avenues to deliver their responsibilities to promote Social Enterprises.

⁷ The three-click rule is an unofficial web design rule concerning the design of website navigation. It suggests that a user of a website should be able to find any information with no more than three mouse clicks. It is based on the belief that users of a site will become frustrated and often leave if they cannot find the information within the three clicks.

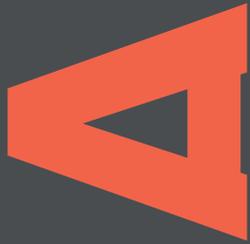
Exhibit 3 – local authority officer survey - Options used by local authorities to promote the growth of Social Enterprises

Local authorities are not effectively promoting opportunities to enhance the Social Enterprise sector which weakens their ability to deliver their statutory responsibilities



Source: Audit Wales, Survey of Local authority Officers, January – May 2022

- 1.26 A small number of local authority officers identified raising awareness as an area for improvement. For example, one noted that 'It should be [part of our role], but we don't do much of that, due to not having a formal strategy. We don't really report our impact either.' And some local authorities have sought to encourage Social Enterprises to work collectively in order to bid for larger contracts or encourage them to move into areas of activity that better align with local authority grants and funding programmes.
- 1.27 However, other local authorities noted that while they would support emerging Social Enterprises, they would not necessarily 'push' them as a preferred option. One officer noted that they were 'a bit cautious about foisting a specific model or approach on people.' This passive approach to engagement and involvement with Social Enterprises is not supporting local authorities to make best use of the sector and we conclude that there is much more to do.



Local authorities do not have the right mechanisms in place to maximise value for money from their work with Social Enterprises

02

2.1 In this section of the report, we consider how local authorities are working to exploit the potential value of Social Enterprises. We consider the effectiveness of procurement and commissioning approaches and whether they are delivering value for money and adding social value for people.

Procurement and commissioning arrangements do not encourage Social Enterprises to pursue public funding. Local authorities do not have sufficient capacity and resources to grow the sector

2.2 **Exhibit 4** shows that roughly two-thirds of Social Enterprises generate income through trade with the general public and just under half from public sector grants. These are predominantly from Welsh Government and/or grant-making trusts rather than local authorities and in 2020 mostly related to the financial support made available to help businesses through the pandemic. With regards to bidding for and delivering commissioned services the data highlights that there has been a slight drop in trade with the public sector between 2018 and 2020, indicating the significant untapped potential of Social Enterprises for local authorities.

Exhibit 4 – where Social Enterprises in Wales get their money from in 2016, 2018 and 2020

Trading with the general public remains the main source of income for Social Enterprises although public sector grants are growing in importance

Sources of income	2016	2018	2020
Trading with the general public	57%	63%	64%
Public sector Grants	39%	49%	49%
Other grants	39%	44%	42%
Trading with the public sector	23%	40%	32%
Donations	24%	33%	33%
Trading with third sector organisations	15%	32%	25%
Trading with the private sector	17%	29%	25%
Trading with other Social Enterprises	8%	22%	17%

Source: Social Business Wales, [Mapping the Social Business Sector in Wales / 2020 Census](#), June 2021

- 2.3 Analysis by Social Business Wales highlights that while 32% of Social Enterprises currently trade with the public sector, most businesses (61%) do not tender for public sector work and just under a third (31%) consider their inability to access funding from local authorities and other public sector bodies as a barrier to their sustainability and growth⁸. This research also noted more generally that local authority funding of Social Enterprises has significantly reduced since 2014, in part because of a greater reliance on trade with the general public but also because of difficulties in working under public bodies commissioning and procurement rules⁹. In addition, the findings of the CWMPAS 'Buy Social Buy Local project' – which was set up to identify public sector spend that Social Enterprises could secure – found that too often the sector in Wales is not geared up to work with public bodies.
- 2.4 Local authorities are under continuous pressure to deliver public services with limited budgets and resources. Combined with rising expectations from service users and growing demand for many statutory services, local authorities need to ensure they make every £1 count through their procurement and commissioning processes.
- 2.5 Local authorities have a strong record in local economic development work, promoting growth and, in particular, providing help for small and medium size businesses. Over half of the local authority officers we interviewed however, did not differentiate between their wider economic development work and the specific opportunities Social Enterprises present, seeing Social Enterprises as one option among many locally. And, while most local authorities provide financial assistance to businesses and the third sector, these grants are for businesses in general, with no specific focus on growing Social Enterprises. Some local authorities noted that their procurement and commissioning approaches sought to create a 'level playing field' and did not favour one group of organisations over others.

8 [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021](#)

9 <https://wales.coop/wp-content/uploads/2019/06/SBW-Full-Mapping-Report-English.pdf>

- 2.6 Notwithstanding, authority officers responding to our survey also identified various barriers to Social Enterprises benefitting from local authority procurement and commissioning opportunities. These include:
- a 'onerous' and 'not proportionate' procurement rules that discourage smaller businesses;
 - b processes focusing too much on profit and savings and not enough on social value, community resilience and well-being, all areas where Social Enterprises can add value;
 - c Social Enterprises not operating in the appropriate sector, or not offering all the services required;
 - d a preference for local authorities to go to existing providers and 'work with what we know' rather than pushing the boundaries and actively seeking to develop new opportunities; and
 - e limited capacity, skills and resources in local authorities which reduces opportunity to broaden the contractor base and specifically target Social Enterprises.
- 2.7 However, despite these weaknesses we also found that most local authorities are not resourcing work to promote Social Enterprises. For example, our survey of local authorities found that only two of the 21 responding to us have a dedicated budget to support the growth of Social Enterprises. Social Enterprise UK recognise four of the seven local authorities – Conwy, Flintshire, Gwynedd and Wrexham – as 'Social Enterprise Places' – areas where social business activity is thriving and there is commitment to invest in and work with the sector.¹⁰
- 2.8 A number of interviewees also noted the impact of the loss of the EU funded Southeast Wales Community Economic Development (SEWCED) program, a £13.5 million programme delivered in six authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) that funded work on developing Social Enterprises. The SEWCED program ended in 2015 and, despite its success, has ended. Officers from the six authorities who delivered the SEWCED initiative felt the loss of EU funding stopped them from working collaboratively to grow the social business sector. **Appendix 5** provides further information on this project.

10 There are 33 recognised social enterprise places in the UK of which four are in Wales.

Social value does not feature as a key driver in local authority commissioning

- 2.9 There is no single definition of social value, however Social Enterprise UK has defined social value in the context of procurement as ‘the additional benefit to the community of a commissioning/procurement process over and above the direct purchasing of goods, services and outcomes.’ For local authorities who are commissioning services it is important to consider and measure this social value from the perspective of those affected by the organisation’s work. By capturing in a monetised form the value of a wide range of outcomes, commissioners are then able to broadly identify how much social value they can get for every £1 of investment. The social value model of delivery is therefore a framework that supports a collaborative re-design of services in every area of activity.¹¹
- 2.10 Our local authority officer survey found that of the 21 who responded, nine authorities specifically consider social value when scoring tenders for services, nine do not and three did not know. Of the nine local authorities who do consider social value, five said the level of weighting varies across tenders but four did not know.
- 2.11 Recent research published by Welsh Government echoes these conclusions noting that because local authorities are under resourced, procurement and commissioning teams often lack the skills and capacity to realise the benefits of social value¹². Current approaches, which focus too much on cost, are leading to less sustainable models of delivery because too often the only area where organisations can reduce price is by squeezing pay and/or staff terms and conditions.
- 2.12 Notwithstanding, our review of local authorities’ procurement strategies identified some good approaches to widening impact and enhancing social value. For example, Caerphilly’s Procurement Strategy includes an option to use ‘Social/Community Benefit Clauses’ in contracts. Flintshire has also introduced a ‘Dynamic Purchasing System,’ allowing smaller businesses to fulfil small parts of larger orders, rather than going to a single large supplier. This can also encourage existing businesses to establish social enterprise arms. Flintshire and Rhondda Cynon Taf, have also created ‘Social Value Development Officer’ (or similar), a dedicated role that specialises in scrutinising tenders and budgets and identifies and promotes opportunities to maximise social value.

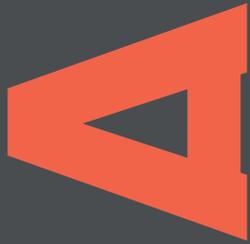
11 cwmpas.coop/wp-content/uploads/2022/04/3.2.9.-supporting-care-commissioners-and-procurers-to-promote-social-value-models-of-delivery-2020-ENG.pdf

12 CWMPAS, [For economic and social change: Welsh Government Social value review - Summary Report](#), June 2022.

- 2.13 A number of authorities use the Welsh Local Government Associations (WLGA) Themes, Outcomes and Measures¹³ (TOMS) metrics which provide a social value weighting for analysing and scoring tenders. For example, Flintshire told us 'We will likely lean on our TOMS, to measure success, as these are pre-made and standard across the social enterprise sector and the local authority.' Flintshire's TOMs, which relate to their corporate priorities and well-being objectives, allow the Council to use its commissioning procurement activities to generate strategic place-based outcomes in line with local community needs. Similarly, Rhondda Cynon Taf similarly noted that 'we use the TOMS system as they are national and include an underlying social value element. It's considered when we look at their business plan.' However, several local authorities noted that from their experience TOMS did not provide a helpful or workable solution for social care commissioning.
- 2.14 The majority of local authorities would also consider it their responsibility to 'step in' to support a struggling Social Enterprise if they had commissioned services from the organisation. However, given the limited amount of commissioning taking place and a natural reluctance to bail out organisations that are struggling, most would not seek to support them financially or otherwise, considering this too risky and uncertain.
- 2.15 Given limitations in how authorities are promoting social value in commissioning and procurement, Welsh Government have recently reappointed CWMPAS to support the needed transformation of services within the social care sector, by pushing forward the development of social value models for care. CWMPAS has announced its intention to 'help strengthen regional arrangements for rebalancing the social care market by introducing more co-operatives, Social Enterprises and social value delivery models in the Welsh social care sector'¹⁴. In addition, a sub-group of the National Commissioning Board is also producing a guide for social value in social care commissioning. While still in draft, it notes that to make procurement work more effectively commissioners need to think differently with a greater focus on place, people and use of assets.

¹³ Published in November 2020, Themes, Outcomes and Measures guidance is in three parts with [Part 1](#) providing an overview of the approach.

¹⁴www.wales247.co.uk/welsh-government-appoints-cwmpas-to-transform-social-care-delivery-across-wales



Local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act and weaknesses in data and evaluation limits their ability to promote Social Enterprises

3.1 In this final section of the report, we examine how local authorities are delivering their responsibilities under the Social Services and Wellbeing (Wales) Act 2014. We also assess the strength of oversight arrangements and whether they allow authorities to fully evaluate the work of Social Enterprises, their impact and identify opportunities for the future.

The majority of local authorities are not delivering their responsibilities under the Social Services and Well-Being (Wales) Act to promote Social Enterprises

3.2 Section 16 of the Social Services and Well-being (Wales) Act 2014 (the 'Act') places a duty on local authorities to 'promote development of Social Enterprises to provide care and support and preventative services'. Social enterprises themselves are well-placed to collaborate with local authorities to deliver social care services. Research by Social Business Wales¹⁵ found that:

- a 54% of Social Enterprises are aware of the 'Act';
- b 21% reported that the 'Act' is central to the work that they undertake;
- c 19% incorporated the requirements of the 'Act' into their governance and policy documents;
- d 9% of Social Enterprises are legally obliged to adhere to the 'Act';
- e 9% explained that the 'Act' formed part of their safeguarding policies;
- f 8% reported that the 'Act' informed their staff-training programme; and
- g 7% use the 'Act' for lobbying and marketing purposes.

3.3 We found that relatively few local authority officers we spoke to were aware of their legal duty to champion the use of Social Enterprises and very few could set out how they are working to grow the sector and deliver their Section 16 responsibilities. The imprecise language in the Act is unhelpful in this context; specifically, the word 'promote.' In practice local authorities interpret their responsibilities to 'promote' very widely. A number of authorities simply focus their efforts on working with existing Social Enterprises with little active promotion to encourage others and help create new ones. Few authorities are investing time and resources in refreshing policies and procurement procedures to build capacity and provide more opportunities to existing Social Enterprises, as well as helping to stimulate new ones.

¹⁵ Social Business Wales, *Mapping the Social Business Sector in Wales / 2020 Census*, June 2021.

- 3.4 Recent research echo these findings noting that there has not been a major shift by local authorities commissioning to provide more social care services through Social Enterprises, and the private sector is still the dominant partner¹⁶. Third sector partners we interviewed and surveyed likewise noted that since the Act went live in 2016, there has been little change in how local authorities work with and encourage Social Enterprises. Consequently, Welsh Government legislative ambitions are not being delivered.
- 3.5 One opportunity to deliver this change is through the new Social Value Forums created under each Regional Partnership Board¹⁷ which are intended to support the growth of the social value sector within the health and social care market. While these forums have varying degrees of support from statutory partners and commissioners, they do provide a good opportunity to engage with the sector, County Voluntary Councils and others within a region to identify opportunities for investment and growth. The 20% allocation of the Regional Integration Fund¹⁸ for the social value sector, managed via Regional Partnership Boards provides a real opportunity for working with Social Enterprises to invest in new ways of delivering services.
- 3.6 In addition, there is an expectation from Welsh Government that each Regional Partnership Board creates a Social Value Forum to explicitly deliver the S.16 responsibilities. For instance, the North Wales Social Care and Well-being Improvement Collaborative¹⁹ have created a Social Value Forum to explore how to promote social value in public services in the region. The Regional Market Stability Reports²⁰ – recently completed by local authorities through the Regional Partnership Boards – also provide a wealth of information on the scale and stability of the social value market within health and social care and will support the work of Social Value Forums.

16 gov.wales/sites/default/files/publications/2022-07/social-value-review-summary-report.pdf

17 In April 2016, seven statutory regional partnerships came into being. Their purpose is to drive the strategic regional delivery of social services in close collaboration with health.

18 The Health and Social Care Regional Integration Fund is a 5-year fund from April 2022 to March 2027.

19 The North Wales Social Care and Well-being Improvement Collaborative includes the six local authorities in North Wales, Betsi Cadwaladr University Health Board and other partners. The aim is to improve services, make the most of the resources available, reduce duplication and make services more consistent across North Wales.

20 Market Stability Reports review the sufficiency of care and support in an area to provide a snapshot of the sector to help plan and shape services, including care for the future.

- 3.7 A number of local authorities such as Rhondda Cynon Taf and Pembrokeshire are already using (or are in the process of creating) micro-enterprises. Micro-enterprises are small business delivering independent care or support services which employ fewer than 10 people. They are an alternative to often expensive day care services. Due to the current staffing pressures in social services, Micro-Enterprises offer a more sustainable solution as well as delivering better outcomes.
- 3.8 The Act also introduced a requirement for each Director of Social Services to produce an annual report that sets out the local authority's improvement journey in providing services to people in its area ²¹. Guidance for the annual reports requires local authorities to report their performance against six quality standards. Standard one – 'Working with people to define and co-produce personal well-being outcomes that people wish to achieve' – specifically covers the promotion of Social Enterprises.
- 3.9 Our review of all Reports of the Director of Social Services found that only eight reports referenced the use of micro-enterprises and a further three mentioned Social Enterprises in some capacity, whether highlighting the work of a specific social enterprise in the area or a service commissioned from a social business. The other 11 reports did not mention Social Enterprises and only expressed in general terms the value of working with the third sector. We also found that no report specifically named the Section 16 duty, though several did include statements acknowledging that the 'Act' requires co-production or partnership working with the third sector. Overall, we conclude that there is more for local authorities to do in their public reporting on how they are promoting Social Enterprises.

21 Welsh Government and ADDS Cymru, [The Local Authority Annual Social Services Reports Guidance](#)

There is minimal oversight and evaluation of Social Enterprises by local authorities

3.10 Social Enterprises play an important role in meeting need and helping people in communities across Wales. For instance, the findings of Social Business Wales Census in 2020, set out in **Exhibit 5**, show that improving local communities and improving the wellbeing of the people are key objectives for over half of all Social Enterprises.

Exhibit 5 – the priority areas for the work of Social Enterprises in Wales

Social Enterprises are widening out the focus of their work and increasingly delivering activity to benefit the most vulnerable people in communities across Wales

Social Enterprises social and/or environmental objectives	2016	2018	2020
Improving a particular community	64%	57%	66%
Improving health and well-being	39%	45%	52%
Supporting vulnerable people	35%	46%	48%
Addressing financial exclusion	26%	28%	44%
Encourage people to participate in the arts, sports & recreation	-	32%	42%
Supporting vulnerable children and young people	20%	29%	34%
Creating employment opportunities	21%	24%	31%
Promoting education and literacy	32%	29%	29%
Protecting the environment	16%	26%	29%
Providing access to services	-	22%	27%
Supporting other Social Enterprises / organisations	9%	16%	25%
Promotes and protect culture, heritage & the Welsh language	-	21%	24%
Addressing social exclusion	7%	9%	21%
Providing affordable housing	5%	4%	3%

Source: [Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.](#)

- 3.11 Despite Social Enterprises providing services that help public bodies deliver their wellbeing objectives and other statutory responsibilities, local authorities are mostly not monitoring or evaluating their activities nor their impact. Five local authorities responding to our survey noted that they have agreed measures to judge the impact of Social Enterprises in their local area and report against these. Over half (13) have no arrangements to evaluate activity, and the remainder responding did not know.
- 3.12 Because of weaknesses in performance management, reporting and evaluation, it is difficult for local authorities to judge how well they are currently performing and identify how they can support a growth and expansion in the role of Social Enterprises in the future. While a few local authorities included broad input/output measures in core documents on the work of partners, these are often limited to capturing the 'number of Social Enterprises we work with.' A minority of local authorities stated that they considered obtaining 'qualitative' information on the impact of Social Enterprises, drawing on service users experience, but we found little evidence of local authorities following this through in practice.
- 3.13 Local authorities are mostly not reporting to elected members on Social Enterprises. Consequently, those officers responsible for delivering services are not held to account and the ability to challenge and identify development opportunities are lost. Several officers we interviewed acknowledge that the lack of performance reporting to members restricts chances to encourage elected members to take ownership of this agenda and actively promote Social Enterprises.
- 3.14 Local authorities who commission services from Social Enterprises generally have a Service-Level Agreement (SLA) in place underpinned by a range of agreed performance measures to evaluate commissioned services. However, we found that performance reporting of SLAs focus heavily on 'inputs' and 'outputs' – for instance, number of service users dealt with – rather than assessing the wider social benefit of the work of Social Enterprises and the impact they have on people who receive their services.



Appendices

- 1 Audit approach and methods**
- 2 Checklist for local authorities effectively engaging and working with Social Enterprises**
- 3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain**
- 4 Number of Social Enterprises by Welsh local authority and percentage change between 2016 - 2020**
- 5 Southeast Wales Community Economic Development programme**
- 6 Summary of Good Practice identified in this review**

1 Audit approach and methods

Approach

This report is the second of our themed work for 2022 looking at poverty. This report sits alongside [our earlier report on poverty in Wales](#) and our forthcoming review examining how local authorities empower people to be more self-reliant and resilient.

For this work our approach has been to understand how well local authorities are working with, promoting and developing Social Enterprises. In particular we have looked at the robustness of needs information, strategies, plans and policies for Social Enterprises and how local authorities are ensuring they deliver their commitments under the Social Services and Wellbeing Act 2014 to promote Social Enterprises.

We examined all 22 principal local authorities in Wales at a high-level, managing delivery to be mindful of the pressures local authority officers are under during both the pandemic and the cost-of-living crisis. We ensured coverage was sufficient to draw a view on the whole sector but not to significantly detract from officers' service delivery responsibilities. Our approach was flexible to fit around officers when agreeing and delivering our fieldwork.

Methods

We completed our review between August 2021 and September 2022 and used a range of methods in delivering our work:

- **document review:** we reviewed documentation from the Welsh Government, local authorities, PSBs and other relevant public bodies. This included, relevant committee minutes, corporate strategies, economic, business, regeneration and procurement strategies; COVID-19 recovery plans; and the Director of Social Services Annual reports. We also reviewed information published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

- **interviews** – we undertook a range of different interviews:
 - officer interviews – we interviewed officers nominated by all Welsh principal local authorities, generally those with responsibility for Social Enterprises, social care or economic development. These took place between January and May 2022.
 - national interviews – we interviewed representatives of Welsh and Scottish Social Enterprises, national representative bodies such as CWMPAS, charities, think tanks, academic institutions and research bodies. These took place between March and June 2022.
- **focus groups** – in line with our approach, some local authorities felt it was more appropriate for us to speak to a range of officers in focus groups to reduce our impact on service delivery.
- **survey** – we undertook a survey with local authority officers. The survey was open between January and May 2022, and we received responses from all local authorities except Newport City Council.
- **websites** – local authority and external resources, eg DEWIS.
- **data analysis** – we analysed a range of data collated and published by Social Business Wales, Social Enterprise UK and Social Enterprise Scotland.

2 Checklist for local authorities for effectively engaging and working with Social Enterprises

Action	Completed	Started	Not Started
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1 Strategic Arrangements

Vision

We have an agreed vision on how we will work with Social Enterprises.			
The vision has been shared with, and is understood by, all relevant staff in the local authority.			
The vision has been shared with, endorsed by and is understood by elected members.			
The vision has been developed in discussion with the local County Voluntary Council.			
The vision has been disseminated to Social Enterprises we work with.			
<p>The vision clearly sets out how we intend to deliver our Section 16 responsibilities for promoting Social Enterprises including:</p> <ul style="list-style-type: none"> • Our work to promote social value through the Regional Partnership Board; and • Use of the Regional Integrated Fund to promote and develop Social Enterprises. 			

Action	Completed	Started	Not Started
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Corporate Approach

We have a corporate led approach for working with Social Enterprises that covers all departments and services.			
The corporate approach translates our vision into practical actions.			
We have designated a corporate lead for Social Enterprises who is responsible for overseeing and coordinating our work with the sector.			

Understanding the local Social Enterprise sector

<p>We have mapped out the Social Enterprise sector in our local authority area and know:</p> <ul style="list-style-type: none"> • The number of organisations working locally; • The services they provide; • The communities the services are provided in; • The people the service is provided for; • How the services are funded; • The operating hours/days for services; • The eligibility criteria for the service (if any); • How the service fits with our Section 16 responsibilities for promoting Social Enterprises in delivering social care services; and • Who to contact for more information. 			
We have a record of all our Social Enterprise funding.			

Action	Completed	Started	Not Started
<p>We collate financial information and report at least annually on the totality of our Social Enterprise funding covering:</p> <ul style="list-style-type: none"> • which organisations we fund; • the contract value; • the length of the contract; • which department/service has contracted; • the measures of success established for the work; and • what the intended benefits of the work are. 			
<p>We raise awareness on the benefits presented by Social Enterprises to ensure all staff identify opportunities to collaborate with them by:</p> <ul style="list-style-type: none"> • hosting a social enterprise day within the local authority; • putting on workshops for councillors and senior managers; and • developing activities to celebrate and promote social enterprise. 			

Collaboration and partnership arrangements

<p>We have identified and agreed how the work of Social Enterprises will be managed and scrutinised at a:</p> <ul style="list-style-type: none"> • corporate level – in the work of strategic partnerships and corporate scrutiny committees; • department level – in specific partnership arrangements to support wider policy agendas within defined areas; and • service level – on local partnerships and specific service-led initiatives. 			
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Action	Completed	Started	Not Started
We effectively raise awareness of the work of social enterprises and involve local people and communities in developing new Social Enterprises.			
We have a clear and effective relationship with our County Voluntary Council as a key strategic and delivery partner			
We have a nominated lead senior official to promote and lead work through the regional Social Value Forum.			

Strategy

Our approach to Social Enterprises is integrated with our key strategies and plan – eg Wellbeing Plan, corporate priorities and other community and regional strategies.			
We have set SMART objectives and actions on how we will support and promote the growth of Social Enterprises.			
We are clear on the benefits and risks of Social Enterprises for citizens, local communities and the local authority.			

Delivering the strategy

We have enough staff and resources to promote and grow Social Enterprises.			
We have staff in the right services and with the required seniority to deliver our vision for Social Enterprises.			
We have a can-do culture mindset within the council to make the best use of Social Enterprises.			
We give staff the opportunity to take well-managed risks and explore innovative practices			

Action	Completed	Started	Not Started
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2 Commissioning and Procurement

Designing services

We draw on the expertise and knowledge of Social Enterprises in designing new services.			
Our commissioners make good use of the Market Stability Report process to inform commissioning and market shaping activity for the social care sector.			
In designing services, we clearly set out: <ul style="list-style-type: none"> • what demand the service will meet; • how we have decided on the type of service that we require; and • how we will engage with current and potential providers to develop the service. 			
We ensure that our tender process is accessible for all potential collaborators.			
We can demonstrate we have the capacity and skills to undertake the strategic commissioning process.			
We actively look for ways to invite collaboration			

Action	Completed	Started	Not Started
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Effective award systems

<p>We have created a single centralised and corporate funding system for the management and award of all funding to Social Enterprises.</p>			
<p>We have effective systems to award funding to organisations that sets out:</p> <ul style="list-style-type: none"> • a clear funding timetable that is available to all potential bidders so that they can prepare for opportunities; • the process that will be used to decide (for example, seeking quotations or using a tender or proposal process); • the value and risk associated with the various funding routes; • clear and published criteria that are understood by all organisations seeking funding, including community benefit and social value clauses; • the cost and resources to oversee and administer the process; and • the length of time that funding will be provided. 			

Efficient award systems

<p>We have efficient corporate systems to award funding based on:</p> <ul style="list-style-type: none"> • concise and clear application processes; • use of online and electronic systems to distribute and collate information and bids; • short end-to-end decision-making arrangements; • the minimum number of stages and processes required to decide; and • decisions being delegated to the lowest level. 			
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Action	Completed	Started	Not Started
Our contract terms and conditions are proportionate to the level of funding being made and are specific to the work that is being funded.			
We review our funding processes to ensure we are not excluding Social Enterprises from securing work.			

Training and information sharing

<p>We provide training to support Social Enterprises covering:</p> <ul style="list-style-type: none"> • how to apply for funding – the do's and don'ts; • complying with our commissioning and procurement systems; • data collection processes; • performance management and scrutiny arrangements; • payment cycles and performance targets; and • contract termination/continuation requirements. 			
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Action	Completed	Started	Not Started
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3 Managing performance

Information collection

We have specified the information required to monitor and evaluate the performance of the Social Enterprises we fund.			
The information only measures relevant activity.			
The systems to collect information are streamlined and efficient, and Social Enterprises only submit information once and electronically on agreed timescales.			

Performance review

<p>We regularly report on our Social Enterprise funding to scrutiny committee(s) against a balanced set of performance information that covers:</p> <ul style="list-style-type: none"> • the service standards we set for the Social Enterprise we fund to perform against; • improvements in people's wellbeing and social outcomes; and • relevant service-based performance data; and • conclusions of external audit/inspection reviews. 			
<p>Our scrutiny and evaluation processes:</p> <ul style="list-style-type: none"> • are proportionate for the value of the funding we provide; and • provide us with assurance that our funding is achieving the expected outcomes. 			
<p>Annually we report publicly:</p> <ul style="list-style-type: none"> • on the work of Social Enterprises; • on the current performance of Social Enterprises we fund; • how we will promote further opportunities for the sector in the future; and • how well we are performing in delivering our S.16 responsibilities for Social Enterprises. 			

Action	Completed	Started	Not Started
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Risk management

We regularly review risks associated with our Social Enterprise funding.			
We agree risk management plans if risks are not being managed and mitigated.			
We have a rolling programme of internal audit systems testing and compliance reviews to ensure the robustness, efficiency and effectiveness of our funding of Social Enterprise services.			

3 Differences in legislative, policy and funding for Social Enterprises across the three countries of Great Britain

Issues	England	Scotland	Wales
Legislation on Social Enterprises	Mainly focussed on making better use of Social Value contracts under the Public Services (Social Value) Act 2012	Mainly through land/ asset usage and requirement for public bodies to have at least one Social Enterprise contract	Yes, S.16 of the SSWBA 2015 requires Local Authorities to “Promote Social Enterprises, co-operatives, user led services and the third sector”. This could also be widened out in the Social Partnership and Public Procurement Bill
National Strategy for growing Social Enterprises	Social Enterprises UK have published a futures report – Social Value 2032 .	Scotland’s Social Enterprise Strategy 2016-2026	Welsh Government had strategy in 2005 but this has ended. The current strategy – Transforming Wales Through Social Enterprises – was developed by the sector and is supported by Welsh Government
Government funding for Social Enterprises	Government backed Start Up Loan of £500 to £25,000 and Levelling Up monies	Just Enterprise, Developing Markets, Social Growth, Business Gateway, etc	Business Wales Economic Resilience Fund and Development Bank of Wales
Government support for Social Enterprises	Mainly provided via the UK Government’s Business Support Helpline and 38 local ‘ growth hubs ’	Mainly coordinated via Business Support Scotland	Welsh Government’s Social Business Wales
Minister with responsibility for Social Enterprises	Junior Minister for Civil Society and Youth	Cabinet Minister for Business, Trade, Tourism and Enterprise	Cabinet Minister for Economy

Source: Audit Wales.

4 Number of Social Enterprises by Welsh local authority and percentage change between 2018 - 2020

Local Authority	2018	2020	Difference	% increase
Vale of Glamorgan ²²	41	217	176	429%
Cardiff	228	265	37	16%
Newport	51	76	25	49%
Swansea	135	158	23	17%
Wrexham	62	78	16	26%
Ceredigion	71	79	8	11%
Flintshire	65	70	5	8%
Monmouthshire	29	34	5	17%
Isle of Anglesey	56	60	4	7%
Conwy	76	78	2	3%
Denbighshire	71	72	1	1%
Bridgend	83	85	2	2%
Gwynedd	127	128	1	1%
Caerphilly	99	98	-1	-1%
Merthyr Tydfil	67	64	-3	-4%
Pembrokeshire	121	115	-6	-5%
NPT	79	73	-6	-8%
RCT	162	155	-7	-4%
Carmarthenshire	174	164	-10	-6%
Blaenau Gwent	45	38	-7	-16%
Powys	110	100	-10	-9%
Torfaen	51	40	-11	-22%
Total identified	2,003	2,247	244	12%

Source: Social Business Wales, Mapping the Social Business Sector in Wales / 2020 Census, June 2021.

²² Per the report by CWMPAS, the figure for the Vale of Glamorgan is an outlier, due to the inclusion of an additional source provided by the Vale of Glamorgan Voluntary Service. It is not known if this approach was adopted elsewhere in Wales.

5 Southeast Wales Community Economic Development programme

Six local authorities (Bridgend, Blaenau Gwent, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf and Torfaen) funded dedicated Social Enterprise programs using £13.5m of EU monies under the Southeast Wales Community Economic Development (SEWCED) program. An evaluation of the SEWCED program commissioned by Merthyr Tydfil County Borough Council found that the project had exceeded expectations in terms of generating new jobs, and all aspects of the project were rated highly in surveys with social enterprise beneficiaries. For instance, SEWCED supported:

- the creation of 30 new jobs and 3 new Social Enterprises;
- the provision of financial assistance to 28 local organisations;
- 15 organisations to adopt and implement Environmental Action Plans; and
- 13 to adopt Equality Strategies and improve how their systems for monitoring and evaluating delivery.

The SEWCED program ended in 2015 and, despite the success of the project and the evaluation findings, the activity has not been continued or replaced in the majority of cases. Only two local authorities received transitional funding to keep on the staff they employed to work with Social Enterprises under SEWCED.

The evaluation determined that 'without the support of the SEWCED, the social enterprise sector in Southeast Wales would not have achieved the same outcomes as it did. Furthermore, without similar support in the future, these results would suggest that the social enterprise sector will not produce the same benefits as it has done as a result of the SEWCED programme.' The interviews with local authorities where SEWCED were mentioned have borne this out, as there is no equivalent funded and organised effort to promote Social Enterprises active in Wales at this time.

6 Summary of Good Practice identified in this review

Good practice – how we determine it

These are the parameters we use to judge whether to include a case study as good practice:

- a programme, activity or strategy that has proven effectiveness, supported by a comprehensive evaluation.
- a programme, activity or strategy that has been shown to produce successful outcomes and is supported to some degree by subjective and objective data sources.
- a programme, activity or strategy that has worked within one organisation and shows promise during its early stages for becoming practice with long-term sustainable impact.
- a programme, activity or strategy that has the potential for replication among other organisations.
- a programme, activity or strategy that is delivering value for money. Value for money is defined as the optimal use of resources to deliver the intended benefits.
- a programme, activity or strategy that is delivering savings/reductions in expenditure with no or low impact on performance.

Within the body of the report, we have identified the following areas of good practice:

- Blaenau Gwent County Borough Council – the work of the Voluntary Sector Group that leads on engaging with Social Enterprises – paragraph 1.18.
- Wrexham County Borough Council – the work of the Business Enterprise Officer to support and promote Social Enterprises – paragraph 1.19.
- Torfaen County Borough Council and the Vale of Glamorgan Council – the creation of Social Enterprises to deliver local services – paragraph 1.20.

- Caerphilly County Borough Council – the use of Social and Community Benefit Clauses in contracts – paragraph 2.12.
- Flintshire County Council – Dynamic Purchasing System which allows smaller businesses to fulfil small parts of larger orders – paragraph 2.12.
- Flintshire County Council and Rhondda Cynon Taf County Borough Council – creation of officers with specific responsibilities to identify and promote opportunities to maximise social value in tendering processes – paragraph 2.12.
- Rhondda Cynon Taf County Borough Council and Pembrokeshire County Council – promotion of and work with Micro-Enterprises – paragraph 3.7.



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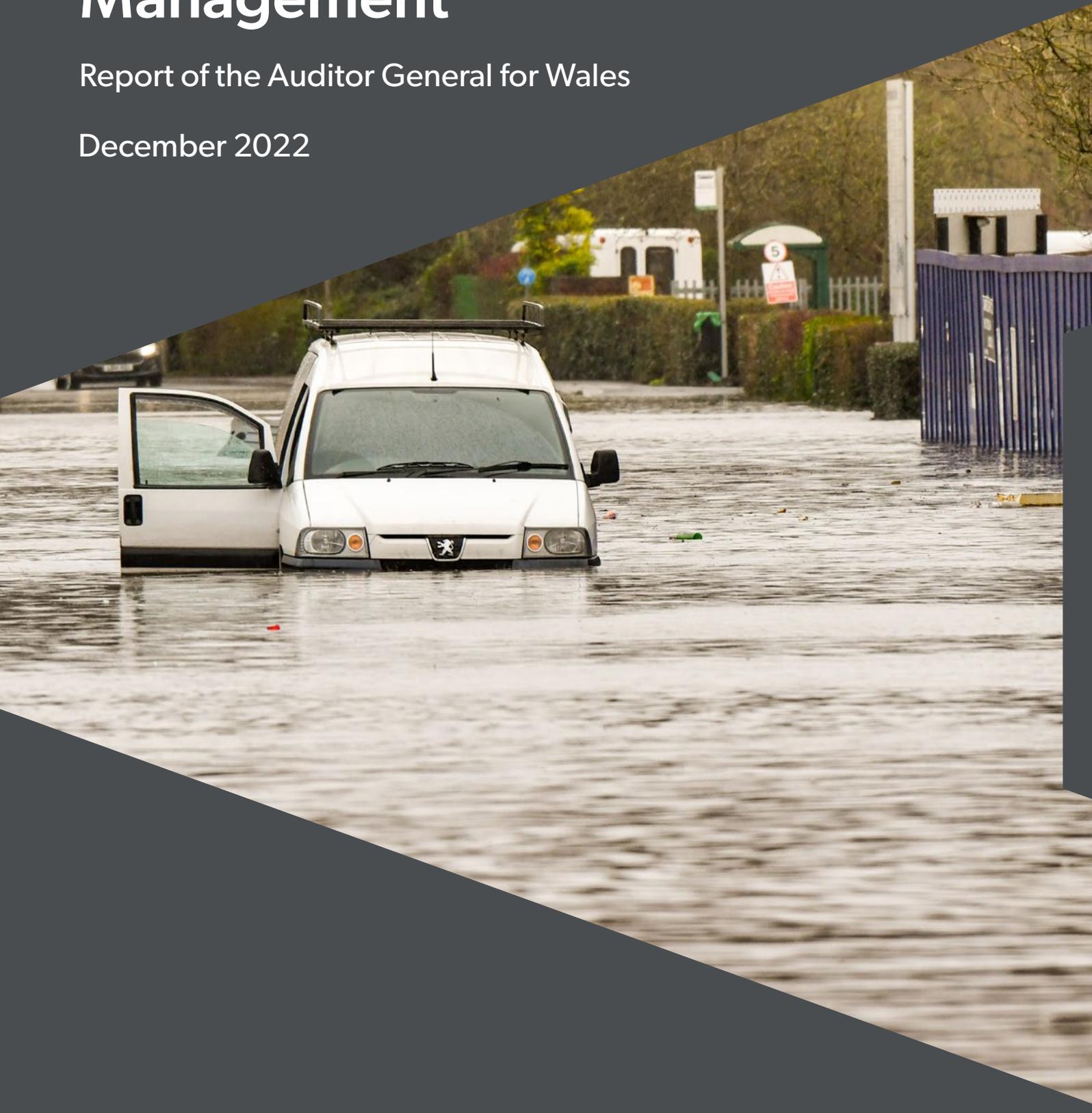
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A Picture of Flood Risk Management

Report of the Auditor General for Wales

December 2022



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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About this report

- 1 In recent years, Wales has suffered devastating impacts from flooding. Despite continued investment, flooding continues to present significant risks to the country. Flood risk, and the costs of managing it are increasing with climate change. Extreme weather events like the storms in winter 2019-20 are likely to become more frequent but it is impossible to predict exactly where and when they will occur.
- 2 Flood risk management has been the subject of several reviews over the past ten years, including our own review of coastal flooding and erosion¹ in 2016. Our review found that the Welsh Government and partners were improving their approach to flooding and coastal erosion risk management, although the pace of change had been slower than planned. We said further improvements were needed to address capacity issues, plan for the long term, and ensure that spending provided value for money.
- 3 The Senedd Public Accounts Committee used our work to inform its own inquiry² and report in 2017. The Welsh Government's 2020 National Strategy for Flooding and Coastal Erosion³ (the National Strategy), its second in this area, includes actions to address the findings of both reviews. Nevertheless, the flooding sector faces considerable ongoing challenges.
- 4 Also in 2020, the Senedd Climate Change, Environment and Rural Affairs Committee held a short inquiry into the Welsh Government's response to the winter floods in February 2020⁴. The Committee concluded that there are difficult conversations to be had between the Welsh Government and its partners, and with communities, about where and how to invest, and what can reasonably be achieved with finite resources.

1 Auditor General for Wales, Coastal Flood and Erosion Risk Management in Wales, July 2016

2 Senedd Public Accounts Committee, Coastal Flood and Erosion Risk Management in Wales, June 2017

3 Welsh Government, The National Strategy for Flood and Coastal Erosion Risk Management in Wales, October 2020

4 Senedd Climate Change, Environment and Rural Affairs Committee, Flooding in Wales, December 2020

- 5 While we have been undertaking our work, several important reviews have been taking place or are proposed. In particular, the Wales Flood and Coastal Erosion Committee, which acts as an independent advisory body to Welsh Ministers, finalised a review of resources in May 2022⁵. It made 20 proposals to improve the national approach and the Welsh Government is currently considering its formal response.
- 6 This Picture of Flood Risk Management report explains how flood risk management works in Wales, including expenditure trends. Flood risk management is a complex area, and our report is not intended to be comprehensive. It also focuses on the management of flood risk rather than the emergency response when floods do happen. We set out what we consider to be some of the key issues, recognising that other commentators and review bodies will have their own perspective. **Appendix 1** describes our audit approach and methods.
- 7 The report is part of our ongoing programme of work looking at how public bodies are responding to the challenges of climate change. In July and August 2022, we published our first reports on public sector readiness to achieve the collective ambition to have net zero carbon emissions by 2030⁶. We will consider looking again at flood risk management in Wales over the next few years to see how well the Welsh Government, Natural Resources Wales (NRW) and local authorities are responding to the issues identified in the Flood and Coastal Erosion Committee's review of resources and the broader challenges facing the flooding sector.

5 The report is available on request to the Flood and Coastal Erosion Committee.

6 Auditor General for Wales, Public Sector Readiness for Net Zero Carbon by 2030, July 2022; and Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report, August 2022

Key facts



117,000
properties
at 'high risk'
of flooding
(2019)



3,130
properties known
to be flooded
in the February
2020 storms



£81 million
estimated
property damage
from the February
2020 storms



28 Risk Management
Authorities including
the Welsh Government,
NRW, water companies
and local authorities

£59.6 million
Welsh Government
funding for flood risk
management,
2021-22 (at 2022-23
prices)



48.7% Real terms
Welsh Government
budget increase for
flood risk management
by 2024-25 (from
2021-22)

Key issues



We have seen the terrible impact of flooding on our communities and the economy and climate change means this is likely to happen more frequently. The issues are not new. Our previous audit work and other reviews have highlighted the need for action in long-term planning, adapting to climate change and building workforce capacity. Despite some positive developments, there are serious questions about whether public services can keep pace with the increasing risks and challenges associated with flooding.

Adrian Crompton
Auditor General for Wales



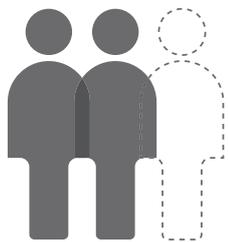
Exhibit 1: key issues affecting flood risk management in Wales



Significant long-term investment will likely be needed to tackle the increasing flood risks associated with climate change.

There are likely to be tough decisions about how to invest finite resources to manage flood risk.

Detail in **paragraphs 3.14 to 3.19.**



Increasing workforce capacity is the most immediate priority for the flooding sector.

Without investment in the future flood risk management workforce, it will be difficult to achieve the ambitions in the National Strategy. A long-term, system-wide approach is needed.

Detail in **paragraphs 4.1 to 4.6.**



There are gaps in collective leadership and policy integration.

There is no Wales-wide forum for senior leaders to discuss flood risk management and drive strategic change. There are also opportunities to better integrate policy and funding arrangements across public services to improve flood risk management.

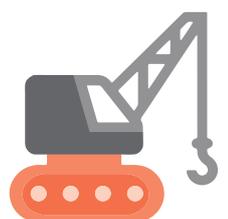
Detail in **paragraphs 5.6 to 5.10.**



There are gaps in flood risk data and the risks themselves keep changing with climate change.

Understanding the impact of flood risk management activity is difficult. Firstly, the condition of Wales's flood defences is not clear because there is currently no complete single source of information on the condition of defences owned by all parties. Secondly, climate change is changing the risks. Building developments or new flood defences can also move flood risk from one place to another.

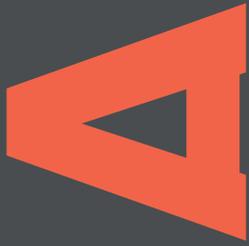
Detail in **paragraphs 5.11 to 5.17.**



Building development in high flood risk areas could be exposing households and businesses to avoidable flood risk.

National data on planning consents shows significantly higher levels of development in high flood risk areas in 2016-17 to 2018-19 compared to 2015-16. However, beyond 2018-19 there is no national data to judge new risks resulting from development.

Detail in **paragraphs 5.18 to 5.21.**



Flood risk management: context

01

Climate change is increasing the risks of flooding

- 1.1 For the Welsh Government, the term ‘flood and coastal erosion risk’ covers flooding from rivers, the sea, reservoirs, ordinary watercourses, groundwater, and surface water as well as coastal erosion. Flooding from water and sewerage systems also presents risks to property but is the responsibility of water companies. Former industrial sites, including coal mines, can also flood or suffer landslides⁷.
- 1.2 Flood risk is described using four categories based on the chance of flooding occurring in any given year (**Exhibit 2**). NRW estimates that one in eight properties in Wales (245,000 properties) are at some risk of flooding from either rivers, the sea or surface water with almost 400 of those properties also at risk from coastal erosion. Of the 245,000 properties at risk, 117,000 properties are at high risk⁸.

Exhibit 2: flood risk categories

Risk	Chance of flooding in any given year
 HIGH RISK	Greater or equal to once in 30 years
 MEDIUM RISK	Less than once in 30 but greater than once in 100 years
 LOW RISK	Less than once in 100 but greater than once in 1,000 years
 VERY LOW RISK	Less than once in 1,000 years

Source: Categories set out in the 2020 Welsh Government’s National Strategy for Flood and Coastal Erosion Risk Management in Wales

- 7 Management of risk associated with Welsh coal mines is the subject of a UK Government Task Force and law commission review as well as a project to assess and record risks associated with mines by the Coal Authority, Welsh Local Government Association (WLGA), local authorities and NRW.
- 8 Flooding risk is based on modelled data. NRW cautions that the data comes with uncertainty due to limits of accuracy in measurement and modelling methods. [NRW’s website](#) provides information on flood risk. The most recent published data is 2019.

1.3 The number of households at risk of flooding is based on the levels assessed as at risk at a point in time and will change. The State of UK Climate 2021 report⁹ describes higher average levels of rainfall and rising sea levels and says that sea levels are rising much faster than a century ago; an annual rise of between three and five millimetres. Rising sea levels and higher levels of rainfall resulting from climate change are likely to increase the chances of flooding occurring. The devastating storms of February 2020 were a stark example. 3,130 properties in Wales were known to be flooded¹⁰ and river levels reached unprecedented heights. NRW categorised the storms as a 1 in 200-year event in some areas of Wales which overwhelmed some defences¹¹. The floods highlighted the possibility that severe storms could become increasingly common due to climate change.

Flooding can have a devastating impact on individuals, the economy and the environment

- 1.4 NRW reviews have set out the impact of recent flooding events. NRW's review of the February 2020 storms put the cost of household damage alone at £81 million (in cash terms). Businesses, non-residential properties and infrastructure also suffered significant damage. Positively, NRW said 19,000 properties benefitted from flood defences during the 2020 storms, representing £550 million avoided damages.
- 1.5 Besides physical harm, flooding puts huge pressure on the mental health of individuals long after their homes or businesses are flooded. Flooding can also cause irrevocable damage to habitats and ecosystems. For example, NRW found that the winter storms of 2013-14 damaged 37 Sites of Special Scientific Interest and 10 Special Areas of Conservation¹².

9 Kendon et al., State of the UK Climate 2021, International Journal of Climatology, The Royal Meteorological Society Journal of Climate Science, July 2022

10 Natural Resources Wales, February 2020 flood review (Storm Ciara and Dennis), October 2020

11 River and main water course defences are typically built to withstand a 1 in 100-year flooding event (an event only likely to occur once in 100 years). Flooding categories are based on past data which is updated when new floods occur.

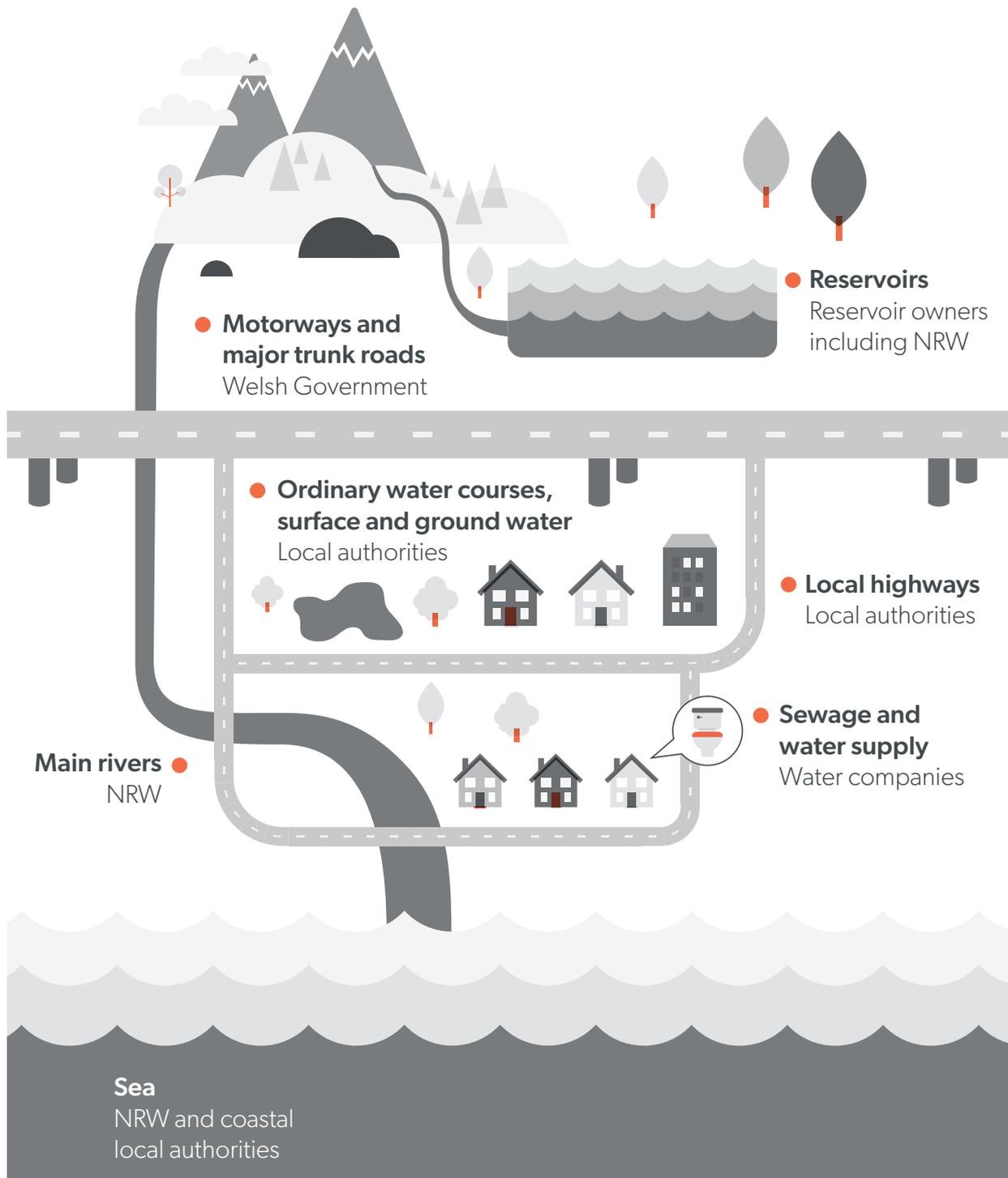
12 Natural Resources Wales, Wales Coastal Flooding Review Phase 1 Report – Assessment of Impacts, January 2014

Roles and responsibilities are complex and may require legislative change

- 1.6 Legal responsibility for managing flood risk differs depending on the area of land at risk of flooding, or the source of the flood risk. In broad terms, the Welsh Government and NRW have system-wide roles to support flood risk management. The Welsh Government sets the national direction and allocates funding. NRW has national strategic oversight of all sources of flooding and coastal erosion and provides technical advice to other Risk Management Authorities (RMAs). Local authorities are designated Lead Local Flood Authorities. They manage flooding from ordinary watercourses, surface water and groundwater. The Welsh Local Government Association (WLGA) is not an RMA. Through its Welsh Government grant funded post (see **footnote 24**), the WLGA coordinates and supports local authorities in their functions and helps steer national initiatives. The Welsh Government, NRW, local authorities and water companies¹³ have discretionary powers for managing flood risk in different places as RMAs (**Exhibit 3**).

¹³ There are currently four water companies operating in Wales: Welsh Water, Hafren Dyfrdwy, Albion Eco and Leep Utilities.

Exhibit 3: Risk Management Authority lead roles for flood risk management by location



Note: Some private landowners such as the National Trust are responsible for protecting their assets from flooding but are not RMAs.

Source: Audit Wales

1.7 Organisations with a role in managing flood risk come together in several forums in Wales. **Exhibit 4** sets out membership and purpose of key flood risk management forums in Wales. There are other forums to manage the emergency response to flooding events which are not included here.

Exhibit 4: key flood risk management forums in Wales

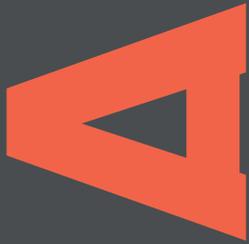
Forum	Purpose	Membership
The Flood and Coastal Erosion Risk Programme Board	Oversees delivery of the Welsh Government's capital programmes: the Flood and Coastal Erosion Risk Management Programme and Coastal Risk Management Programme	Members include representatives from the Welsh Government, NRW, the WLGA, local authorities, Dŵr Cymru Welsh Water, the Institution of Civil Engineers, and the Chair of the Flood and Coastal Erosion Committee.
The Flood and Coastal Erosion Committee	Provides advice to Welsh Ministers and RMAs on flood and coastal erosion risk management	Members are appointed by Welsh Ministers. The Committee includes representatives of NRW, the WLGA, local authorities, agriculture, the water industry, academia and relevant professional bodies.
Regional Flood Groups: North, Southeast, and Southwest Wales	Share knowledge and information about flood risk and develop joint programmes of work	Membership includes local authorities, NRW, water companies and the WLGA.
Coastal Groups: West of Wales, Liverpool Bay, Severn Estuary, and Swansea and Carmarthen Bay	Lead on producing and implementing Shoreline Management Plans	Coastal local authorities, NRW, the Welsh Government and other bodies with coastal responsibilities.
Wales Coastal Group Forum	Represents the collective interests of the Coastal Groups	Chairs of each Coastal Group plus representatives from NRW, the WLGA, Network Rail and the National Trust.

Source: Audit Wales

- 1.8 Different pieces of legislation set out powers and duties relating to the management of flooding and coastal erosion¹⁴. The Flood and Water Management Act 2010 clarified some powers and responsibilities. In response to a recommendation in our 2016 report (see **footnote 1**) on clarifying roles and responsibilities, the Welsh Government tasked the Flood and Coastal Erosion Committee with reviewing current legislation. The Committee finalised its review in September 2022 and submitted proposals to Welsh Ministers.
- 1.9 The Law Commission¹⁵ is also considering whether to review statutory responsibilities for flood and coastal erosion risk management in England and Wales.

¹⁴ The main pieces of legislation relating to flood risk management in Wales are the European Union Floods Directive 2007 – which forms part of UK law, Flood Risk Regulations 2009, the Flood and Water Management Act 2010, Water Resources Act 1991, Land Drainage Act 1991, and the Coastal Protection Act 1949.

¹⁵ The Law Commission is the statutory independent body created to keep the law of England and Wales under review and recommend reform where needed.



Flood risk management: strategy

02

The Welsh Government's Programme for Government commits to improving flood protection

- 2.1 In its June 2021 Programme for Government¹⁶, the Welsh Government stated it would embed its response to climate change and nature emergency in everything it does and made specific commitments to flood risk management:
- to fund additional flood protection for at least 45,000 homes; and
 - deliver nature-based flood risk management (see **Exhibit 6**) in all major river catchments to expand wetland and woodland habitats.
- 2.2 The Welsh Government updated its Programme for Government in December 2021¹⁷ to reflect its cooperation agreement¹⁸ with Plaid Cymru. The agreement committed to more investment in flood risk management to respond to the increased risk. The updated programme included two new commitments to:
- commission an independent review of the local government section 19 and NRW reports¹⁹ into winter floods; and
 - ask the National Infrastructure Commission for Wales to assess how the nationwide likelihood of flooding of homes, businesses and infrastructure can be minimised by 2050.

The Welsh Government's National Strategy sets national objectives for flood risk management and highlights challenges facing the sector

- 2.3 The Welsh Government's 2020 National Strategy aims to reduce the risks to people and communities from flooding and coastal erosion underpinned by five objectives (**Exhibit 5**). The Strategy highlights tough questions facing flood risk management. Not all flooding can be prevented, and the Strategy emphasises the need for approaches to help communities adapt and become more resilient to severe weather events and rising sea levels.

16 Welsh Government, Programme for Government, June 2021

17 Welsh Government, Programme for Government – Update, December 2021

18 Welsh Government, The Cooperation Agreement, 2021

19 Section 19 of the Flood and Water Management Act 2010 requires local authorities in Wales to investigate serious flooding events and publish the results. NRW also undertakes its own reviews into serious flooding.

Exhibit 5: Welsh Government National Strategy aims and objectives for flood and coastal erosion risk management

Reduce the risk to people and communities from flooding and coastal erosion



Improved understanding and communication of risk



Preparedness and building resilience



Prioritising investment to the most at risk communities



Preventing more people becoming exposed to risk



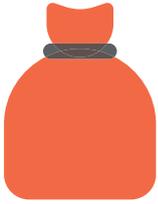
Providing an effective and sustained response to events

Source: Objectives set out in the 2020 Welsh Government National Strategy for Flood and Coastal Erosion Risk Management in Wales

2.4 The Strategy recognises that building ever higher flood walls is not always sustainable and does not remove all risk. Even high walls can breach and there is a greater risk of rapid and severe flooding when they do. It can be detrimental to wildlife and the appearance of landscapes and communities. There is also a risk that building higher walls to protect one community will push flood water on to other communities. The Strategy builds on the previous national strategy by emphasising different approaches to flood risk management. In particular, the 2020 Strategy describes the importance of building community preparedness and resilience to flooding, using natural flood management and adapting to climate change (**Exhibit 6**).

Exhibit 6: key concepts in the National Strategy

Building community preparedness and resilience



Raising awareness and preparing communities to respond to flooding can reduce the impact on property and individuals. Preparedness can include talking to communities about flood risk and promoting flooding warning systems. It can also include advising people of individual measures they can take to protect their home such as installing flood doors. An important part of building community resilience is working with them to understand the risks in their area and develop ways to prepare for, and adapt to, those risks.

Natural flood management or 'nature based solutions'



Natural approaches can reduce water flows in flood risk areas. Approaches can include tree planting, offline storage areas which return water to rivers after floods have passed, and creating wetlands. Natural approaches can be especially effective when they are developed around whole river catchments, but may not work in isolation or during extreme flood events. Integrated 'Green Grey' infrastructure can have a positive impact on the environment and increase biodiversity. Green Grey approaches combine natural materials with traditional 'hard engineered' flood defences such as concrete walls.

Adapting to climate change



Not all flooding can be prevented. The risks can be reduced but communities and infrastructure need to adapt and be prepared for severe weather events. Adaptation involves maintaining and improving defences but also better land management and planning in towns and cities to manage the impact of flooding and move 'out of harm's way'.

Source: Audit Wales summary based on the 2020 Welsh Government National Strategy for Flood and Coastal Erosion Risk Management in Wales

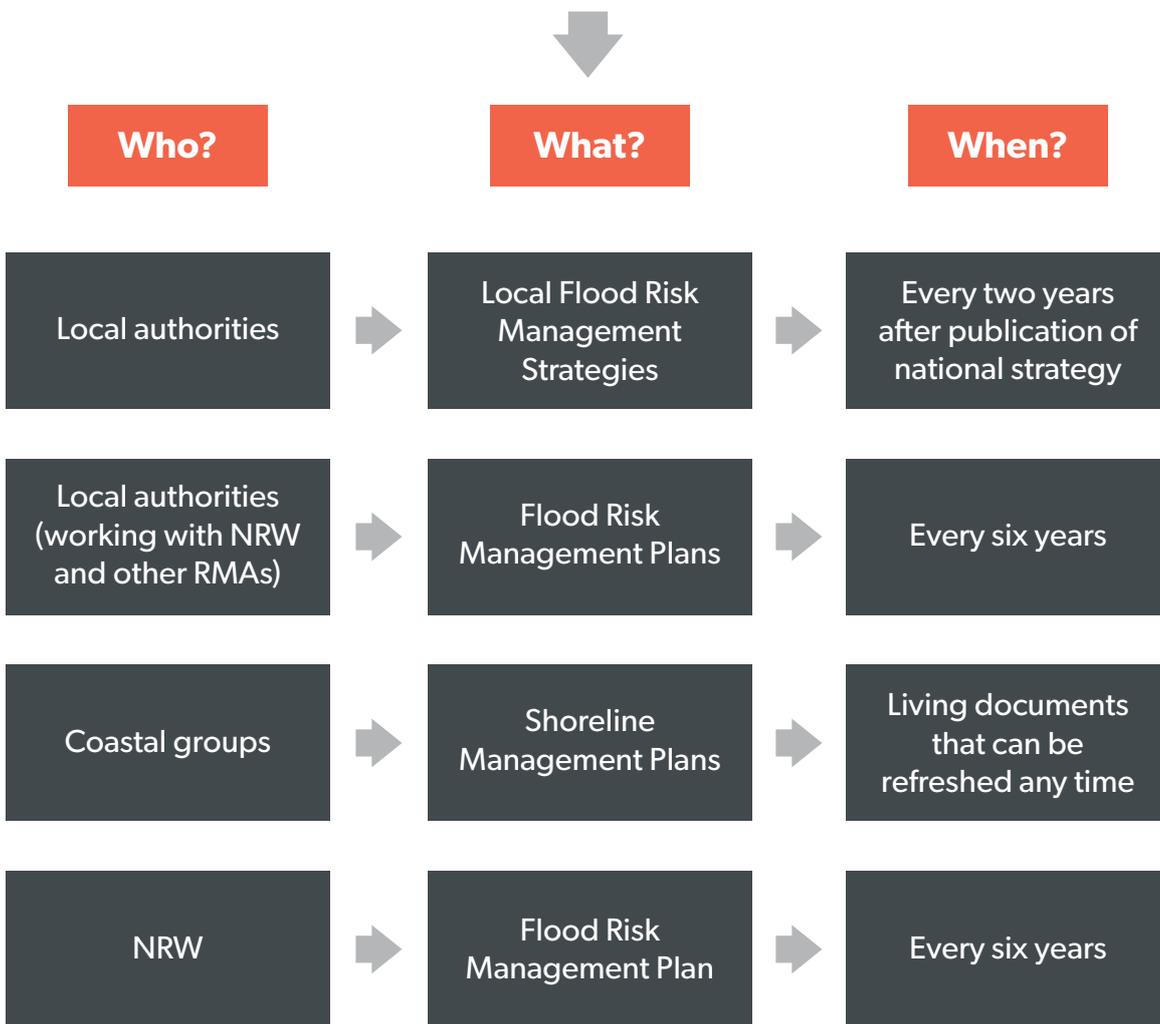
- 2.5 The Strategy emphasises that investment in flood risk management must be maintained. But it recognises the need to adapt to the increasing risks associated with climate change which may demand difficult decisions about where to direct investment.
- 2.6 The Strategy encourages regional and partnership working to improve the effectiveness of flood risk management and to secure alternative funding. In response to the Senedd Public Accounts Committee (see **footnote 2**) recommendation on regional working in 2017, the Welsh Government tasked the WLGA with exploring options for regional working with local authorities. The WLGA completed its review in July 2018, but the Welsh Government and local authorities have not yet set out specific actions to develop mechanisms and guidance for joint delivery in practice. The Flood and Coastal Erosion Committee's review of resources found that more could be done to improve regional working and collaboration and made proposals to address these issues.
- 2.7 The Senedd Climate Change, Environment and Rural Affairs Committee's 2020 report (see **footnote 4**) recommended that the [then] Minister for Environment, Energy and Rural Affairs should set out her view on how well the National Strategy is operating and whether changes need to be made to the national approach. The Minister accepted the recommendation explaining that any changes to the national approach would be informed by NRW's commentary on the implementation of the Strategy via its section 18 report (see **paragraph 5.3**). NRW's report was due in autumn 2022 but has been postponed until autumn 2023 due to workforce pressures.

The National Strategy is underpinned by other strategies and plans

2.8 The overall strategic planning framework for flood risk management includes several strategies and plans at different levels, flowing in part from requirements set out in legislation. **Exhibit 7** provides an overview.

Exhibit 7: strategic planning framework for flood risk management

Welsh Government National Strategy October 2020



Note: The WLGA and Welsh Government are working with local authorities to combine Local Flood Risk Management Strategies and Flood Risk Management Plans into one document.

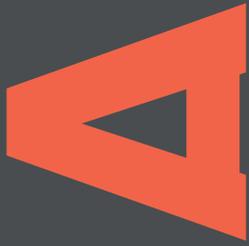
Source: Audit Wales summary

- 2.9 Local authorities must produce their own statutory Local Flood Risk Management Strategies²⁰ that reflect the National Strategy. Local authorities also work with NRW and other RMAs to produce Flood Risk Management Plans for surface water and ordinary watercourses²¹. NRW also produces its own Flood Risk Management Plans for main rivers and the sea. The local authority and NRW Flood Risk Management Plans are produced every six years, while the latest Local Flood Risk Management Strategies were due to be published two years after the National Strategy, in October 2022. However, they have been delayed as the WLGA and the Welsh Government are developing proposals to combine the local authority strategies and plans in one comprehensive local flood risk management document. Individual plans are underpinned by collaborative activities such as flood mapping and learning from previous approaches.
- 2.10 The Welsh Government also expects Coastal Groups to produce Shoreline Management Plans. The plans are non-statutory assessments of the risks associated with coastal flooding and erosion. The plans aim to identify the most sustainable policies for each area over the next 100 years using four policy options:
- maintaining or improving existing defences in their current position (known as hold the line);
 - building new defences on the seaward side of the existing defence (known as advance the line);
 - allowing the shoreline to move backward through ‘managed realignment’ or ‘managed retreat’, which may mean relocating some communities; and
 - do nothing (known as no active intervention).
- 2.11 NRW has recently produced supplementary guidance²² to assist Coastal Groups in ‘refreshing’ their existing plans to focus more on medium and longer-term policy approaches.

20 A requirement of the Flood and Water Management Act 2010

21 The plans are a requirement of the Flood Risk Regulations 2009 whereby countries identify Flood Risk Areas, map improvement activities, and develop Flood Risk Management Plans. Six local authorities in Wales are required to produce the plans because Flood Risk Areas have been identified in their area (Swansea Council, Neath Port Talbot Council, Monmouthshire County Council, and Merthyr Tydfil, Rhondda Cynon Taf, and Wrexham County Borough Councils). However, the remaining 16 local authorities have also agreed to produce the plans on a voluntary basis.

22 Natural Resources Wales, Shoreline Management Plans: Supplementary guidance for their ongoing maintenance and delivery – Wales, December 2021



Flood risk management: finances

03

Real terms funding for flood risk management has been broadly stable between 2016-17 and 2020-21 and the Welsh Government is planning a substantial increase by 2024-25

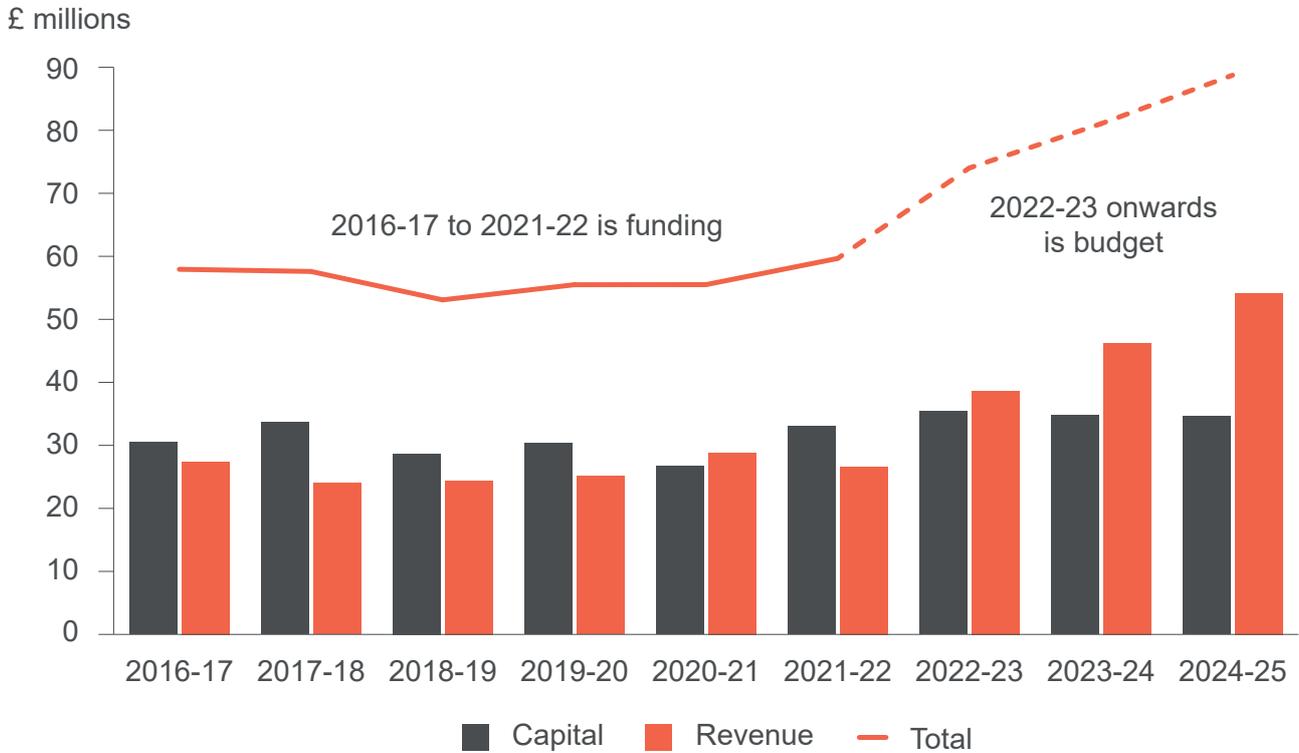
3.1 This section looks at public spending and funding for flood risk management. It is based on the funding provided by the Welsh Government, most of which goes to NRW and local authorities. For NRW and local authorities, it covers the use of Welsh Government funding provided specifically for flood risk management. It does not include spending on flood risk management from other local authority budgets.

The Welsh Government

3.2 The Welsh Government's funding for flood risk management includes capital and revenue. Historically, capital has largely been used for building new flood defences or large-scale improvements to existing defences. Revenue mostly funded staff and running costs as well as regular maintenance work. However, the Welsh Government is now also using revenue to help local authorities to invest in coastal infrastructure projects.

3.3 From 2016-17 to 2020-21, the Welsh Government's real terms annual funding of flood risk management was between £53.1 million and £57.9 million (**Exhibit 8**). Revenue funding varied between £23.9 million and £28.8 million. Capital funding varied between £26.6 million and £33.6 million. The increase in capital funding in 2021-22, to £33.0 million, was largely because the Welsh Government provided additional money to repair damage after flooding in December 2020 and January 2021.

Exhibit 8: Welsh Government funding of flooding and coastal erosion in real terms, 2016-17 to 2021-22 including budgets to 2024-25 (2022-23 prices)



Note: Real terms figures are adjusted to take account of inflation. We used HM Treasury GDP deflators at market prices and money for 2022-23, September 2022.

Source: Audit Wales analysis of Welsh Government data

3.4 The Welsh Government’s budget shows an increase in total real terms funding on flood risk management. It is set to rise from £59.6 million in 2021-22 to £88.7 million (48.7%) in 2024-25. The underlying picture is complicated. Capital funding is set to rise in 2022-23 but then fall in 2023-24 and 2024-25. The substantial increase in revenue is partly driven by repayments as part of Coastal Risk Management Programme (**Exhibit 9**). However, after accounting for likely repayments, there is still a substantial increase in revenue funding in 2023-24 and 2024-25.

Exhibit 9: the Welsh Government's Coastal Risk Management Programme

The Welsh Government set up the Coastal Risk Management Programme in 2016-17. It initially planned to fund £150 million (in cash terms) on coastal flood defences but the final level of investment may amount to more once all local authority schemes have been finalised and actual costs approved.

Under the programme, the Welsh Government provides the local authority with 100% of the costs of developing a project, through a capital grant. The Welsh Government has agreed to fund 85% of construction costs via annual increases in local authorities' Revenue Support Grant over 25 years. To pay for the actual works, local authorities can use their capital reserves or borrow money from the Public Works Loan Board, a part of HM Treasury, at low interest rates. The local authority pays back the loan over 25 years.

The Welsh Government intended that the programme would close to new projects in 2021, but due to delays in the design and development of capital projects it extended the deadline to March 2023.

To date the Welsh Government has agreed to fund schemes with an estimated value of £98 million through the programme.

Source: Audit Wales summary

3.5 The Welsh Government provides the majority of its capital funding to local authorities and NRW via its separate Flood and Coastal Erosion Risk Management Programme. In 2021-22, the Welsh Government spent £33 million at 2022-23 prices through the Programme. The Programme funds local authority schemes, including partnerships with other RMAs, and NRW schemes. The Welsh Government provides 100% of funding for NRW schemes under its core programme and for the design and development stages of local authority schemes. It provides 85% of funding for the construction work for local authority schemes. The Welsh Government has produced a map²³ showing schemes allocated funding at the start of the financial year. The level of expenditure each year depends on the preparedness and progress of projects in local authority and NRW pipelines.

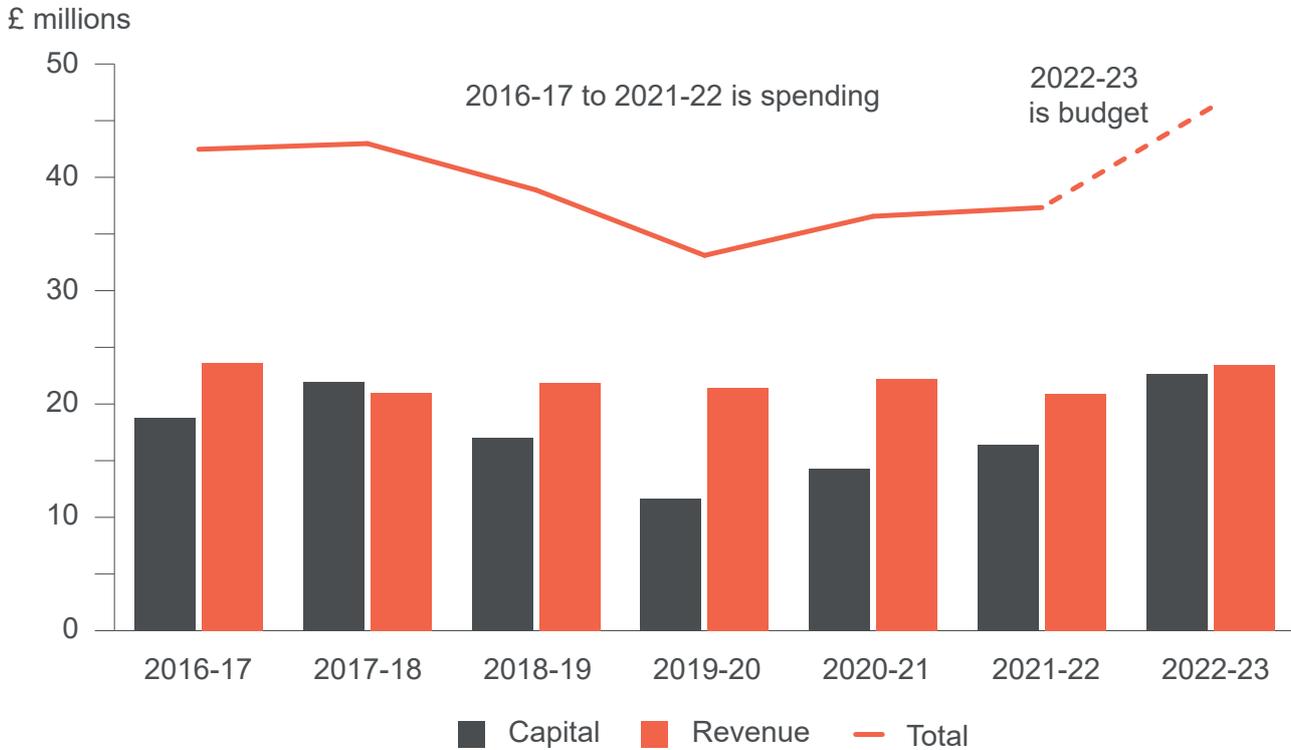
- 3.6 In 2020-21, over three-quarters (£22.2 million) of the Welsh Government's £28.8 million revenue funding (at 2022-23 prices) went to NRW. The Welsh Government provided local government with £4.5 million revenue. It spent £0.4 million on its own flood risk management branch²⁴. The proportion of revenue going to local government will increase in future years as a result of work being funded through the Coastal Risk Management Programme.

Natural Resources Wales

- 3.7 The Welsh Government provides NRW with revenue funding through its Flood Defence Grant. In real terms, NRW revenue spending on flood risk management decreased from £23.6 million in 2016-17 to £20.9 million in 2021-22. The Welsh Government and NRW are currently carrying out a baseline review of NRW's resources to deliver flood risk management priorities.
- 3.8 NRW's capital spending varies year-on-year depending on the number and type of capital projects it is working on in any given year and what stage each project is at. From 2016-17 to 2018-19 NRW's capital spending ranged between £17.0 million and £21.9 million at 2022-23 prices. Real terms spending fell sharply in 2018-19 when NRW underspent its capital budget by around £5 million. The £5 million was rolled-over into 2019-20 but capital spending remained lower than previous years due to NRW having a smaller programme of capital works. Real terms capital spending has increased since 2019-20 and is set to be slightly higher in 2022-23 than in 2017-18. The Welsh Government's total capital and revenue budget allocation to NRW in 2022-23 is £46.0 million (**Exhibit 10**).

²⁴ Funding to the Welsh Government's flood risk management branch includes funding for the Flood and Water Officer at the WLGA and some consultancy fees.

Exhibit 10: NRW spending on flooding and coastal erosion in real terms, 2016-17 to 2021-22 including the 2022-23 budget (2022-23 prices)



Notes:

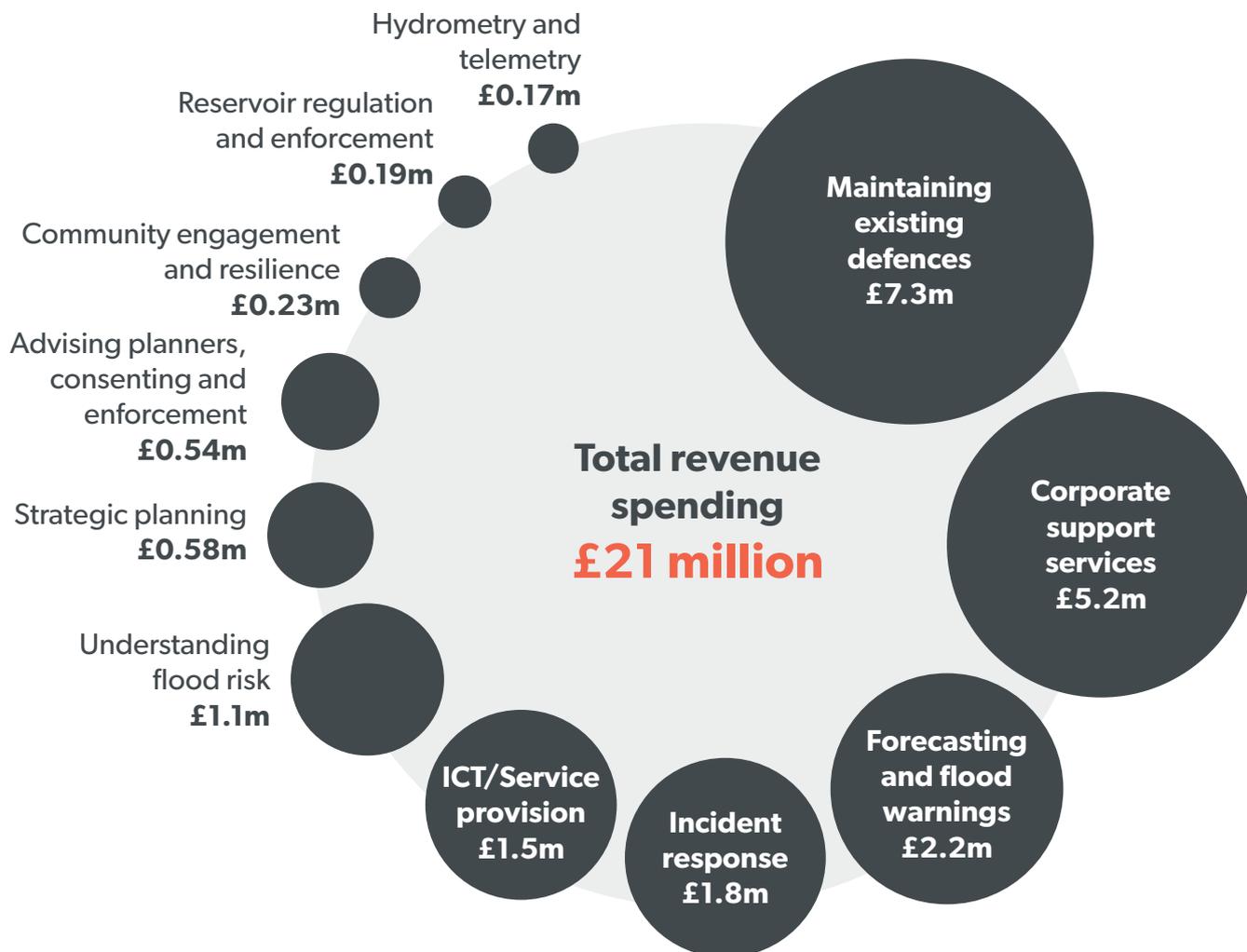
- 1 Real terms figures are adjusted to take account of inflation. We used HM Treasury GDP deflators at market prices and money for 2022-23, September 2022.
- 2 Information on budget allocations beyond 2022-23 is not yet available.

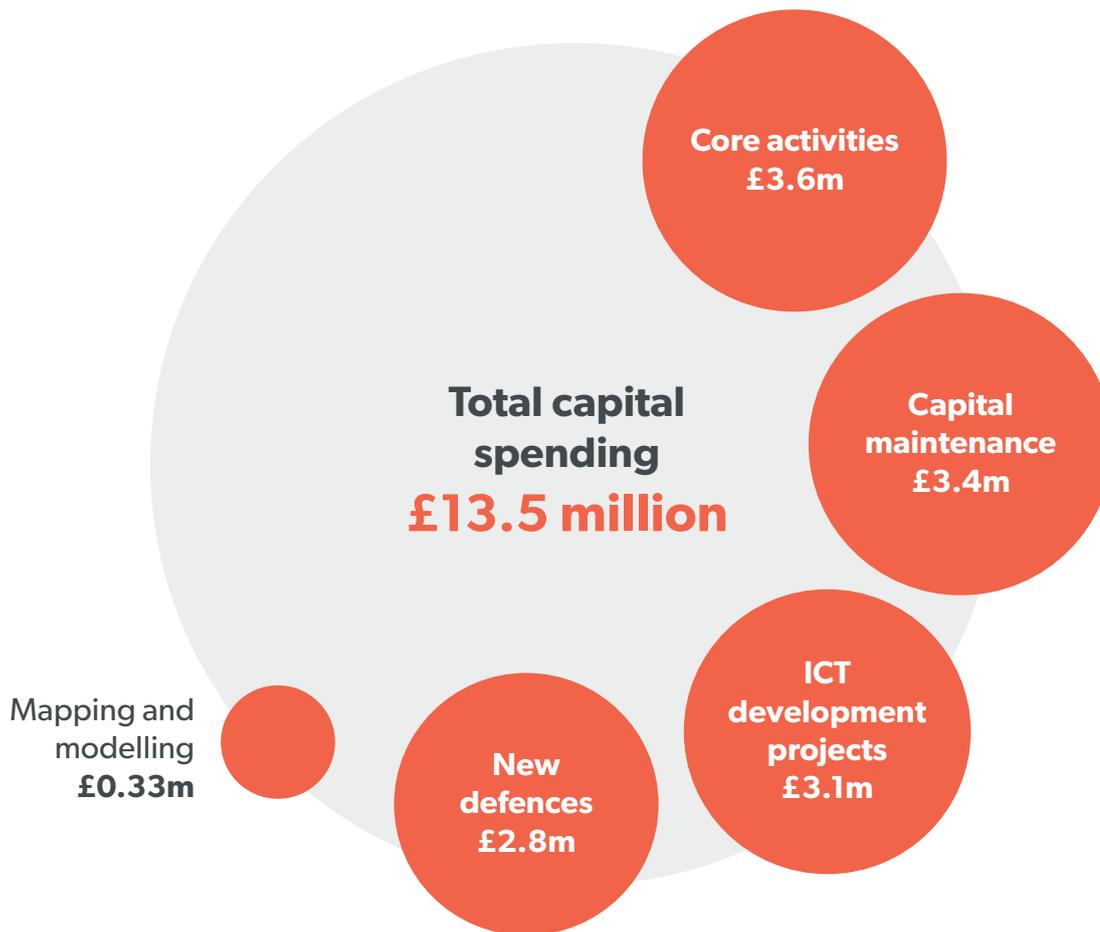
Source: Audit Wales analysis of Welsh Government data

3.9 NRW’s Flood Risk Management Annual Report 2020-21²⁵ breaks down its spending on flood risk management in cash terms, explaining that it spent 35% of its £21 million revenue on managing its flood risk assets or defences, and 25% on corporate support services. Forecasting and issuing flood warnings accounted for 11% and 9% went on responding to incidents. NRW spent 47% of its £13.5 million capital on flood defences, with 26% spent on maintaining existing defences and 21% on building new ones. 27% was spend on core activities and 23% of spending went on flood risk management ICT projects (**Exhibit 11**).

²⁵ NRW publishes a breakdown of how it spends its capital and revenue spending in its flood risk management annual reports. At the time of writing, it was still finalising its 2021-22 report but told us spending per category was unlikely to change substantially from the previous year.

Exhibit 11: NRW spending on flood risk management in 2020-21 in cash terms





Notes:

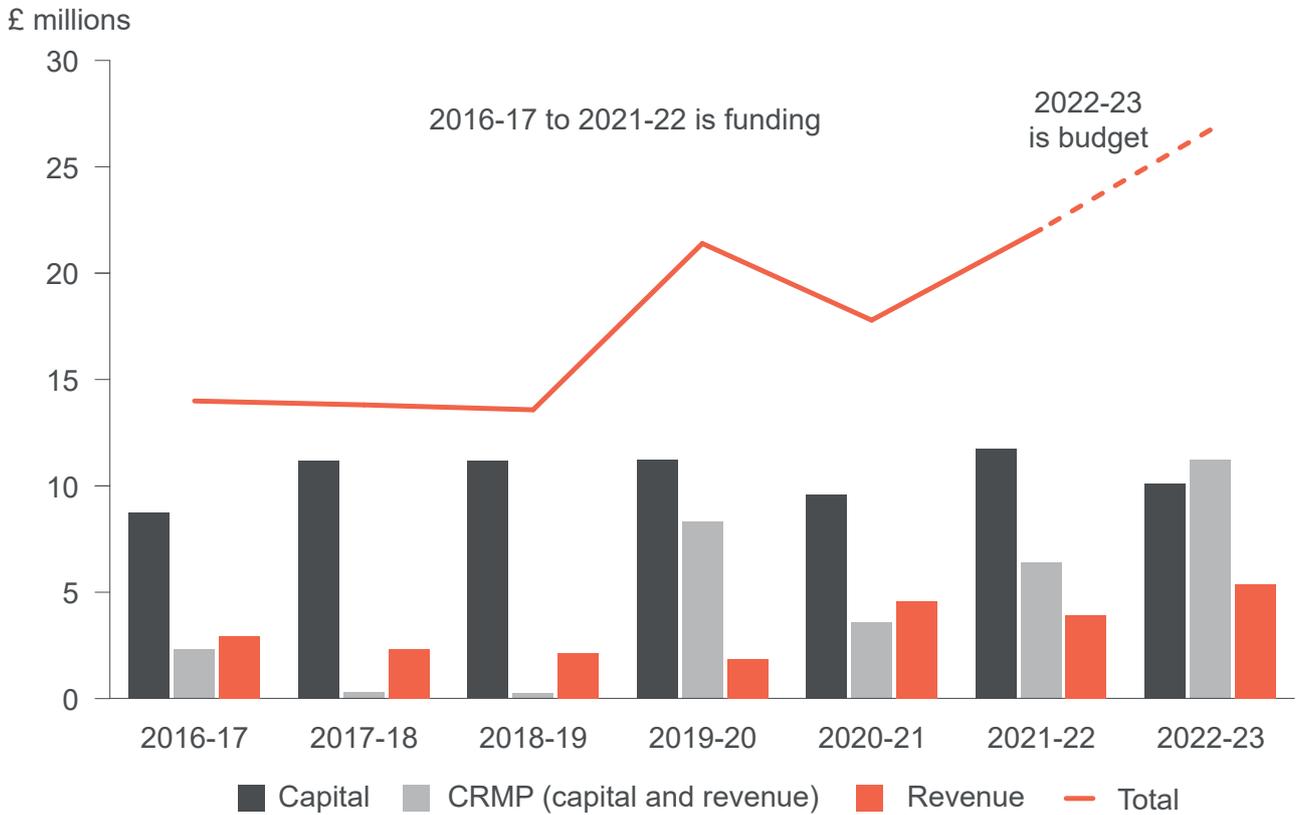
- 1 Core activities include capitalised salary costs, corporate overheads and fleet, plant, and equipment purchase.
- 2 NRW delivers hydrometry and telemetry services which collect, analyse and report data on things like water flows and rainfall to support the flood warning service and provide online information to the public and partners.
- 3 The figures above are in cash terms, which means they have not been adjusted to take account of inflation. The overall spending figures for capital and revenue therefore differ slightly from those in **Exhibit 10** which have been adjusted for inflation.

Source: NRW, Flood Risk Management Annual Report 2020-21, December 2021

Local authorities

- 3.10 The main source of Welsh Government revenue funding to local authorities is its core Flood and Coastal Erosion Risk Management Revenue Grant. Currently each local authority can bid for an equal share of the Grant each year. In 2020, the Senedd Climate Change, Environment and Rural Affairs Committee recommended that the Welsh Government review its revenue allocation formula for flood risk management (see **footnote 4**). In its response to the Committee's recommendation, the Welsh Government consulted local authorities and increased the amount of baseline grant funding available from £65,000 in 2018-19 to £225,000 per local authority for 2022-23 as a result. Developing a risk-based formula is complicated and requires robust information about the level of flood risk in each local authority area. The Welsh Government is waiting for improvements to local data before revisiting the idea of a risk-based allocation in the future.
- 3.11 Local authorities can choose to add to the revenue funding from their general funds. However, there is no data available on total local authority spending on flood risk management, including discretionary spend, so we have not been able to include it in our analysis. Without such data there is no comprehensive picture of investment across Wales.
- 3.12 In real terms, core Welsh Government revenue funding across all local authorities fell from £2.9 million in 2016-17 to £1.8 million in 2019-20 (**Exhibit 12**). Revenue funding more than doubled to £4.5 million in 2020-21 when the Welsh Government allocated extra funding as a result of underspends from the Coastal Risk Management Programme. After a fall in 2021-22 to £3.9 million, revenue funding is set to rise to £5.3 million in 2022-23.
- 3.13 In real terms, local authority core capital funding increased from £8.7 million in 2016-17 to £11.1 million in the following year. Capital funding stayed around £11 million each year up until 2021-22 with the exception of a drop in 2020-21 where funding was below £10 million. It is set to fall to £10.1 million in 2022-23. The Welsh Government's Coastal Risk Management Programme (**Exhibit 9**) is adding substantially to funding for infrastructure projects. As a result, total Welsh Government funding for local government is set to rise from £13.9 million in 2016-17 to £26.7 million in 2022-23.

Exhibit 12: Welsh Government flood and coastal erosion funding to local authorities in real terms, 2016-17 to 2021-22 including the 2022-23 budget (2022-23 prices)



Notes:

- 1 The chart does not include local authority funding of flood risk management from other sources including their contribution to infrastructure schemes. Sometimes, part of the contribution is provided by other beneficiary partner organisations but generally it is the local authorities who contribute.
- 2 Real terms figures are adjusted to take account of inflation. We used HM Treasury GDP deflators at market prices and money for 2022-23, September 2022.
- 3 Information on budget allocations beyond 2022-23 is not yet available.

Source: Audit Wales analysis of Welsh Government data

Significant long-term investment is likely to be needed to tackle the increasing risks associated with climate change while inflation will put pressure on existing budgets

- 3.14 The Wales Flood and Coastal Erosion Committee's review of resources (see **footnote 5**) said that capital funding needs to increase to tackle the impact of climate change. NRW is modelling potential long-term investment requirements associated with maintaining existing coastal and inland flood assets over the next 100 years. NRW presented a draft report on its findings to the Welsh Government and the Committee in September 2022 and is working with the Welsh Government to agree a publication date for the final report. The final report will likely point to the need for a significant increase in spending to keep pace with climate change. The draft report suggests there may be parts of Wales where the costs of maintaining flood defences could outweigh the benefits.
- 3.15 The Committee's review of resources highlights the need for longer term capital funding settlements to improve planning and collaboration on capital projects. It also calls for longer term revenue settlements to support a longer term approach to the maintenance of flood defences and other revenue funded work²⁶. Our report on the 21st Century School building programme²⁷ described the transformative nature of long-term funding on large scale investment programmes.
- 3.16 Construction prices have increased considerably in recent years – and by 10% from June 2021 to June 2022²⁸. However, the WLGA believes the increase to be much higher because some RMAs have reported substantially higher costs. Some recent market analysis has forecast that infrastructure construction inflation could reach 12%²⁹. The analysis suggests that in the medium term, inflation in the construction sector could stay at around 3% to 5% even if inflation in the wider economy returns to more 'normal' levels of 2% to 3%. Capital budgets in particular therefore look set to be squeezed in the coming years with increasing building and maintenance costs.

26 Many important flood risk management activities are revenue funded including mapping and modelling and flood warning systems.

27 See Auditor General for Wales, The 21st Century Schools and Education Programme, May 2017 which describes the Welsh Government's long-term commitment to the school building programme over at least two 'bands' each covering five years.

28 Office for National Statistics, Construction Output Price Indices, Quarter 2, August 2022

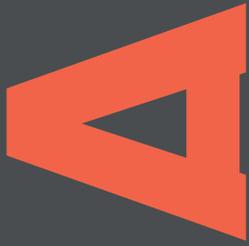
29 Arcadis, UK Autumn Market View: September 2022

Public bodies are struggling to secure funding from other sources, including developers and the beneficiaries of flood risk management schemes

- 3.17 In response to our 2016 recommendation (see **footnote 1**) about investigating options for partnership funding, the Welsh Government tasked the Flood and Coastal Erosion Committee with exploring ways to maximise partner contributions and investment. The Committee's review of resources described a lack of strategic focus on exploring wider mechanisms for funding and limited staff capacity to secure alternative investment. It also cites examples where the Welsh Government could better align policy and funding streams to maximise financial contributions from partners such as Welsh Water, Network Rail, and in forestry and agriculture.
- 3.18 The Committee said that opportunities to secure funding from elsewhere are largely being missed. Many organisations and individual property owners benefit from flood risk management schemes, but few contribute financially to those schemes. In particular, there are opportunities to secure funding for flood risk management from land developers.
- 3.19 The Welsh Government's national development framework: Future Wales³⁰ recognises that parts of National Growth Areas³¹ are susceptible to flooding. Some re-development may be permitted in National Growth Areas subject to appropriate mitigation against flood risk. Planning authorities may require developers to bear the costs of developing new or improving existing flood defences. The Committee's report recognised that planning authorities could do more to secure funding from developers but found that workforce capacity in planning authorities limits their ability to do so. **Paragraphs 5.18 to 5.21** consider building development in more detail. There may also be opportunities to secure funding from the UK Government Shared Prosperity Fund, for example.

30 Welsh Government, Future Wales: The National Plan 2040, August 2019

31 Future Wales identifies Cardiff, Newport and the Valleys; Swansea Bay and Llanelli; and Wrexham and Deeside as National Growth Areas where there will be growth in employment and housing and investment in infrastructure.



Flood risk management: capacity

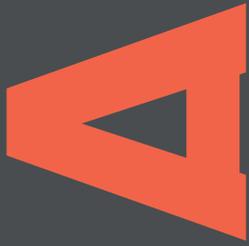
04

In the short term, workforce capacity is the biggest issue facing the flooding sector

- 4.1 The public sector flooding workforce³² in Wales is spread across Welsh Government, local government and NRW:
- there are 12 staff in the Welsh Government's flood risk management branch, most of whom work full-time.
 - local authorities typically employ one or more full time equivalent (FTE) flood risk management officers as part of their wider drainage or highways teams. However, some have been unable to recruit any flooding officers adding more pressure on existing teams. Other local authority staff not directly employed as flooding officers will also be involved in flooding related work if the need arises.
 - NRW employs 350 FTEs in flood risk management across Wales, including work on national functions such as mapping and modelling flood risk, the flood warning service, and development advice.
- 4.2 Flood risk management is a specialist area which requires broad skills which are hard to find. NRW and local authorities find it difficult to recruit professionals with the right technical skills to manage flood risk and have struggled to recruit to some roles. In one case, we are aware of a local authority that was unable to submit funding applications for flood risk management schemes and revenue funding because of an unfilled vacancy.
- 4.3 NRW and some local authorities have commissioned support from the private sector. However, we heard that even some parts of the private sector are struggling to recruit skilled flooding professionals. The flooding sector is also suffering from a lack of succession planning to ensure a suitable pipeline of appropriately qualified people for the future.
- 4.4 The Flood and Coastal Erosion Committee's review of resources (see **footnote 5**) explained the consequences of insufficient workforce capacity including:
- lack of sufficient and meaningful engagement with communities;
 - lack of time for RMAs to collaborate effectively with each other and other sectors;

³² Flooding staff at the water companies are not included in our analysis because they are not directly funded by the Welsh Government.

- slow progress developing the evidence base on the benefits of nature-based solutions, catchment-based approaches and how to adapt approaches to respond to climate change; and
 - lack of innovation and partnership working to create wider social and economic benefits and secure additional external funding for flood risk management schemes.
- 4.5 NRW also told us that insufficient workforce capacity is impacting on aspects of its core work, including its assessment of the condition of flood defence assets, flood warning work and planning advice.
- 4.6 The flooding sector in Wales understands its weaknesses but lacks the human resources to address them. The Committee's review proposes the Flood and Coastal Erosion Risk Programme Board (see **Exhibit 4**) directs a resource improvement programme to establish current and future workforce requirements and address training and career development needs. Universities and professional training institutions have expressed interest in working with the flooding sector to address skills gaps but developing the next generation of flood risk management professionals will take time. Developing and delivering any such improvement programme will either require additional staff capacity or draw from existing capacity which is already stretched.



Flood risk management: performance and delivery

05

- 5.1 This section looks at performance from two angles. Firstly – we look at reviews of progress delivering the actions the public bodies set out in their strategies and plans. Secondly, we consider information on what difference the investment and efforts to manage flood risk is making.

Information on progress implementing shoreline management plans and local flood risk strategies and plans is not easily accessible to the public

- 5.2 Progress implementing strategies and plans to manage flood risk is reported in different ways and sits in several different documents. NRW's State of Natural Resources Reports on the sustainable management of natural resources give some broad insight on flood risk management performance. The reports are a requirement of the Environment (Wales) Act 2016 and must be updated by the end of the calendar year preceding every Senedd election. They comment on the extent to which natural resources are being managed sustainably. In 2020, the latest report³³ concluded that Wales is not yet meeting its aim to have healthy places for people, protected from environmental risks, due in part to the number of properties at risk of flooding.
- 5.3 NRW reports on collective progress implementing the National Strategy in Section 18 reports³⁴ every two years after publication of the Strategy. The Flood and Coastal Erosion Committee reviews the reports. Publication of the first report on the current National Strategy has been delayed from autumn 2022 to autumn 2023 (see **paragraph 2.7**).
- 5.4 Coastal Groups report progress implementing the Shoreline Management Plans annually to the Wales Coastal Group Forum. In 2020-21, the Coastal Groups revised their plans to reduce and prioritise activities to make delivery more manageable. Currently, there is no public information to show progress implementing the plans. By 2025, the Coastal Groups are due to set out their plans to implement the next 20 years of the Shoreline Management Plans.

33 Natural Resources Wales, State of Natural Resources Report for Wales 2020, December 2020

34 Section 18 of the Flood and Water Management Act 2010 sets reporting requirements.

- 5.5 Currently, there is no consistent approach to monitoring and reporting local authorities' progress delivering Local Flood Risk Management Strategies or management plans. Each authority decides the method and frequency with which it reviews performance. There are no national indicators to measure and compare how well flood risk is being managed locally. However, the Welsh Government and the WLGA are working with local authorities to develop a template for monitoring flood risk objectives, measures and action plans across Wales in a consistent format.

Gaps in collective leadership and policy integration are hampering delivery

- 5.6 In 2020, NRW published a section 18 report³⁵ on progress implementing the previous national strategy. The report described challenges engaging with communities and implementing nature-based solutions (see **Exhibit 6**). The new 2020 National Strategy reinforced the importance of community resilience but two years on, little progress has been made. Later that year, the Senedd Climate Change, Environment and Rural Affairs Committee's inquiry (see **footnote 4**) recommended that the Welsh Government set out how it will support local authorities and NRW to engage effectively with communities. The Welsh Government's response to the Committee explained arrangements at the time. But it did not say who would lead efforts to address the capacity and capability issues that are widely known to hamper community engagement.
- 5.7 The Flood and Coastal Erosion Committee's 2022 review of resources says the flooding sector is still not good at involving the public in flood risk management. In the Committee's view, public bodies are not doing enough to prepare the public for flooding nor for the impact of long-term decisions about managed realignment. The general public will increasingly be required to adapt and develop resilience to the impacts of climate change, particularly communities at high risk of flooding. There has also been slow progress in other areas of work including workforce resilience and succession planning and regional collaboration.
- 5.8 Lack of joined up policy and funding arrangements is restricting RMAs' collaboration with each other, with other public services, and with the private sector. The Flood and Coastal Erosion Committee identified agriculture and planning policy as key areas to integrate with flood risk management. There are many more opportunities to join up policy with flood risk management to achieve wider benefits such as economic development, recreation, and improved biodiversity. The Committee described collaboration as ad hoc, and said the sector lacks clear expectations of what collaboration should deliver.

35 Natural Resources Wales, Flood Risk Management in Wales 2016-19 – Report to the Cabinet Secretary for Environment, Energy and Rural Affairs under Section 18 of the Flood and Water Management Act 2010, June 2020

- 5.9 We think there is a gap in governance structures because there is no forum for senior leaders to discuss and elevate the profile of flood risk management across public services. Flooding can present a serious threat to public services including schools and healthcare facilities. But we heard from key stakeholders in the flooding sector that it is too often seen as an issue for flooding departments to manage alone. Stakeholders also said that varying levels of senior ownership of flood risk management across RMAs mean that it is a lower priority in some places. The Flood and Coastal Erosion Committee's report also describes a lack of regular engagement between senior leaders in RMAs.
- 5.10 A review published by the Environment Agency England as part of the joint England and Wales research programme³⁶ found that the Regional Flood Groups in Wales lack strategic direction and influence over wider regional decisions such as economic development. The review found that membership lacked seniority and existing members were often unable to make corporate commitments. We found that the same issue extends to other flood risk management forums (see **Exhibit 4**).

Understanding the impact of flood risk management activity on levels of risk is difficult

- 5.11 NRW models the number of properties at high, medium and low risk of flooding and has a commitment in the National Strategy to update flood maps every six months. The risk categories are based on the likelihood of flooding occurring. They do not reflect the consequences or impact of flooding if it happens. To provide a fuller picture when prioritising its resources, NRW uses its Communities at Risk Register to consider the potential consequences of flooding.
- 5.12 In the future, the Welsh Government wants to use information on the number of properties at risk of flooding to monitor the reduction in risk over time because of its investment. Measuring impact by monitoring changes in risk does not necessarily indicate how well those risks are being managed. Firstly, the baseline picture of risk across Wales is incomplete. The picture of risk has improved in recent years, particularly through NRW's Wales Flood Map³⁷ which sets out the likelihood of flooding from the sea, rivers, surface water and small watercourses. However, there are gaps in data from some local authorities.

36 Environment Agency England, Evaluating the Effectiveness of Flood and Coastal Erosion Risk Governance in England and Wales, November 2021

37 A collective term to describe the Flood Risk Assessment Wales Map, National Coastal Erosion Risk Management Map and Flood Map for Planning which are maintained by NRW.

5.13 Secondly, the risks keep changing. Changes in one part of a river catchment area, such as building development or new flood defences, can displace flood risk. Climate change is also changing the risks. The Wales Flood Map now includes a planning map which uses climate change projections to model future flood risks over the next century. As a result, the map showed significant increases in the size of high-risk flood zones including in some town and city centres. Flood maps give an indication of increased risk but cannot predict exactly where and when flooding will occur, or how bad it will be.

The overall picture of the condition of flood defences is not clear

- 5.14 Different organisations and landowners are responsible for maintaining the network of flood defence structures across Wales. The location and ownership of flood risk assets is set out in the National Flood Asset Database, which NRW has volunteered to manage on behalf of the RMAs in Wales. The database does not include privately owned assets. In addition, some infrastructure such as roads and railway lines provide some level of protection from floods but are not designed or recognised as flood defences. Such assets are not included in the Database³⁸.
- 5.15 The level of protection provided by flood defences or ‘assets’ depends on their condition and fitness for purpose. Weaknesses in one asset may compromise the effectiveness of other flood defences. RMAs assess the condition of their assets. For instance, NRW prioritises tracking the condition of its high-risk assets on a continuous basis. A snapshot at the end of March 2022 highlighted that 98% of NRW’s high-risk assets were within target condition.
- 5.16 Currently, there is no single source of information on the condition of Wales’s flood defences. The National Strategy sets the ambition that the National Flood Asset Database will include information on the condition of defences to act as a single source of information on flood defences owned by RMAs. NRW plans to start including some information on the condition of defences from other RMAs from November 2022. Developing the Database is complicated and relies on RMAs providing timely access to robust information.

38 The National Asset Database is intended as a source of information on larger, strategic assets and does not include every single flood risk management asset such as manholes.

- 5.17 Another source of information on the condition and performance of flood defences is the reviews of serious floods³⁹. The reviews give an indication of how well defences have performed in affected areas, where they may have been breached, and possible reasons why.

Building development in high flood risk areas could be exposing properties to avoidable risk but a lack of current national data makes it difficult to know

- 5.18 Not all flooding can be prevented, but there are obvious opportunities to prevent avoidable risks by restricting development and re-development in areas at risk of flooding. Welsh Government data⁴⁰ shows that the number of planning consents for developments in high-risk flood areas increased dramatically from fewer than 50 in 2015-16 to over 3,000 in 2016-17. Although the number of consents had reduced to just over 1,600 in 2018-19, this was still significantly higher than the 2015-16 figure. Some local authorities did not supply data to the Welsh Government during 2015-16 to 2018-19 so the number of consents may in fact be higher. The Welsh Government suspended some data collection during the pandemic. As a result, since 2018-19, there is no up-to-date national data, which makes it difficult to gauge current levels of development and risk.
- 5.19 To restrict development in high flood risk areas, the Welsh Government planned to implement a revision of Technical Advice Note (TAN) 15 in November 2021. TAN 15 requires planning authorities to consider the impact of climate change on their decisions. However, the Welsh Government has delayed the implementation of TAN 15 until June 2023 to allow planning authorities more time to prepare their approach. In the meantime, this means that planning consents could be being granted without due consideration given to the impact of climate change. However, despite the delay in TAN 15 being implemented, we would expect local authorities to be balancing short and long term considerations and taking into account climate change projections as part of their duty in discharging the sustainable development principle under the Well-being of Future Generations Act (Wales) 2015.

³⁹ Known as 'section 19 reports' reflecting the requirement for lead local flood authorities to investigate flooding events under section 19 of the Flood and Water Management Act 2010. There is no duty to publish the reports. NRW reports on its own investigations of significant flooding events and publishes the information on its website.

⁴⁰ From the Welsh Government's Planning Services Annual Reports, non-residential and residential consents.

- 5.20 The Flood and Coastal Erosion Committee's review of resources suggests that lack of resources in local planning authorities is restricting their ability to prevent development in high flood risk areas. Also, the Committee found that it is hindering local planning authorities' ability to ensure appropriate flood risk measures are included where development takes place. As noted in **paragraph 4.5**, NRW told us that staffing constraints have also affected the way it responds to planning authorities as a statutory consultee because it has had to limit the extent of its planning advice.
- 5.21 Lack of capacity in the planning workforce is also affecting local authorities' ability to monitor and ensure all construction works in Wales with drainage implications have Sustainable Drainage Systems⁴¹. The WLGA has voiced concern that lack of expertise and capacity in local authorities is resulting in some applications not meeting statutory deadlines and increasing numbers of building works without Sustainable Drainage Systems approval.

41 A requirement since January 2019 under the Flood and Water Management Act 2010.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Audit approach

There are currently several important reviews of flood risk management underway, and some which have recently been completed (**Exhibit 13**). Rather than adding another review to the list, we chose to focus our work on explaining how flood risk management works and identifying key issues facing the flooding sector. The report is intended to help the public and those with a scrutiny function to understand the flooding sector and challenge delivery. The scope of our work did not include consideration of the flooding events in winter 2019-20 because the investigation reports into the winter floods are part of a separate independent review. It included the following areas of focus:

- the risks and impacts of flooding and coastal erosion;
- the strategic approach to flood risk management in Wales;
- investment in flood risk management;
- workforce capacity; and
- factors impacting performance and delivery of flood risk management, including the planning system.

Exhibit 13: previous, current and anticipated reviews of flood and coastal erosion risk management

Review	Reviewer	Publication date (actual or planned)
Coastal Flood and Erosion Risk Management in Wales	Auditor General for Wales	July 2016
Coastal flood and erosion risk management in Wales	Senedd Public Accounts Committee	June 2017
Flooding in Wales	Senedd Climate Change, Environment and Rural Affairs Committee	December 2020
Review of resources	Flood and Coastal Erosion Committee	Presented to the Committee in May 2022. Available on request to the committee
Review of flood risk legislation and associated policy	Flood and Coastal Erosion Committee	Approved by the Committee in September 2022. Available on request to the committee
Independent review of investigation reports relating to flooding events of winter 2019-20	Led by Professor Elwen Evans KC	Summer 2023
Review of long-term flood risk to infrastructure arising from climate change	National Infrastructure Commission for Wales	2023-24
Possible review of flood risk management legislation in England and Wales	Law Commission	To be confirmed

Source: Audit Wales summary

We also used this work to review progress addressing the recommendations of our 2016 review and those of the Senedd Public Accounts Committee in the 2017. We found that the Welsh Government and its partners have completed all but one of the actions the Welsh Government committed to in its response to the recommendations⁴². Some of the issues identified in our report and that of the Public Accounts Committee are complex. As a result, although most of the actions in the Welsh Government's previous response are complete, the issue they sought to address is the subject of further work by the Welsh Government and its partners. Areas of ongoing work are:

- ensuring adequate revenue funding
- clarifying roles and responsibilities; and
- developing approaches to regional working.

We will consider conducting further work over the next few years to examine how well the Welsh Government, NRW and local authorities are responding to the challenges facing flood risk management.

Audit methods

Document review: we reviewed a range of documentation including the following

- minutes from previous meetings of the Flood and Coastal Erosion Committee
- guidance on adaptation to climate change and sustainable management of natural resources
- the findings of other research and reviews regarding flood and coastal erosion risk management.

Observations: we attended the May and September 2022 meetings of the Flood and Coastal Erosion Committee.

Semi-structured interviews: we interviewed Welsh Government officials and staff from Natural Resources Wales and the Welsh Local Government Association. We also interviewed the chair of the Wales Flood and Coastal Erosion Committee.

⁴² The Welsh Government tasked NRW with creating a website as a single point of information for flood awareness in response to the fifth Senedd Public Accounts Committee's review. NRW has started but not yet completed work on the website.

Data analysis: we reviewed financial data on the Welsh Government's expenditure on flood and coastal erosion risk management. We analysed how the Welsh Government funding specifically for flood risk management had been spent by Natural Resources Wales and local authorities. Our financial analysis does not include any local discretionary spending on flood risk management on top of the specific grant funding from the Welsh Government.

Feedback sessions: we met with the Welsh Government, Natural Resources Wales, the Welsh Local Government Association and the chair of the Wales Flood and Coastal Erosion Committee to discuss what we considered to be the key issues facing the flooding sector.



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Official



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Mr Eifion Evans
Chief Executive
Ceredigion County Council
By email: Chiefexecutive@Ceredigion.gov.uk

16 September 2022

Dear Mr Evans,

IPCO Surveillance and CHIS Inspection – Ceredigion County Council

Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Ceredigion County Council (CCC) was recently the subject of a remote inspection in relation to directed surveillance and CHIS by one of my Inspectors, [REDACTED]. This was facilitated by Ms Elin Pryor, Corporate Lead Officer: Legal and Governance (and RIPA SRO), as well as Mr Harry Dimmack, Governance Officer (SRO Support). Discussions were also held with Anne-Louise Davies, Trading Standards and Licensing Manager, during the inspection. The last inspection of CCC was carried out in 2019.

Information was provided during meetings on 22nd and 30th August 2022. Documents and further information were provided to support the explanations given during professional discussion. This has demonstrated a level of compliance that removes, for the present, the requirement for a physical inspection. A summary of key findings from the inspection is detailed below.

- There were three observations made following the 2019 inspection and appropriate action has been taken. The matters are discharged.
- CCC has not granted any CHIS or directed surveillance authorisations since the last inspection. The use of appropriately authorised covert investigative techniques has been considered, although not utilised. The use of directed surveillance and CHIS may be used in future providing there is a genuine need and authorisation requirements are met.

Official

- RIPA training was provided in 2019 following the last IPCO inspection. In addition, training sessions designed to provide an overview of RIPA and its relationship with Article 8 Human Rights, whilst also enabling staff to develop an understanding of the activities which may require authorisation, were held on 08/09/2020, 09/02/2021 and 28/02/2022. These sessions are aimed at staff who may need to consider seeking a RIPA authorisation, along with those who are responsible for authorising activity. This is good practice.
- Desktop research activity is monitored, and those who have the permission and capability are required to submit periodic returns of activity levels. It was suggested that the RIPA Co-ordinator could conduct some quality control of returns and dip sample a percentage of those. Discussions with those conducting research, as well as those submitting nil returns, will test the understanding of staff in relation to RIPA considerations. This suggestion was received positively.
- Teams likely to need to make RIPA considerations are Social Services, Youth Justice and those dealing with Benefits. It was suggested that HR may consider use of directed surveillance and the type of mischief potentially being investigated was debated. Reference was made to paragraph 4.44 bullet point one of the Covert Surveillance and Property Interference (CSPI) Code of Practice (2018) which explains that local authorities in England and Wales can only authorise the use of directed surveillance under RIPA to prevent or detect criminal offences that are either punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months imprisonment or are related to the underage sale of alcohol and tobacco or nicotine inhaling products. The offences relating to the latter are in article 7A of the 2010 RIPA Order.
- The CCC RIPA Policy and procedures are available to staff on an intranet site. The Policy is updated each year. In response to a letter from IPCO regarding assurance of data handling and retention safeguards, a review of the RIPA Corporate Policy and Procedures Document (RIPA Policy) was undertaken, with proposed amendments presented to the Overview and Scrutiny Coordinating Committee on 20/01/2021 and 15/09/2021. The Council's new RIPA Social Media Policy, which was created in response to recommendations following the previous inspection in 2019, was also presented to this Committee on these dates. Both the amended RIPA Policy and RIPA Social Media Policy were approved by Council on 23/09/2021.
- Awareness of RIPA responsibilities and knowledge required to avoid inadvertent drift into activity for which a RIPA authorisation would be required was discussed. Designated Officers and Corporate Managers cascade information to staff. The use of all staff messages was discussed as a method that might be used in future to maintain levels of awareness.
- If communications data is required, CCC is a member of the National Anti-Fraud Network (NAFN) and submission of applications to NAFN provides a level of in-built assurance.
- CCC does not have any overt or covert CCTV responsibilities.
- Covert equipment for use on surveillance is retained by CCC. Storage of equipment is secure and although it has not been utilised for many years, any use would be recorded.
- Data Assurance Safeguards, if material is obtained, will be addressed by adherence to the CCC corporate retention schedule that is available on the CCC intranet.

It must be emphasised that whilst CCC is numerically a non-user of RIPA powers, it is vital that the Council continues to ensure that relevant staff are appropriately trained when the need arises to use and authorise covert activity. It is also important that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent, maintain their levels of knowledge and know whom to approach for guidance. It is positive that training is regularly provided to achieve this. Assurances have been provided to ██████ that the integrity of CCC processes and governance procedures will be maintained to ensure compliance with the Act and relevant Codes of Practice is achieved.

Official

My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter. I would like to thank all personnel involved for their positive and helpful engagement with the inspection process, and I shall be pleased to hear from you regarding these findings within the next two months.

Yours sincerely,



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

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Annwyl Eifion

Assurance and Risk Assessment 2021-22 Financial Position update

Following on from our recent 2021-22 Assurance and Risk Assessment (ARA) progress update letter we said that we would feed back on some further specific aspects of our assurance and risk assessment work that we have undertaken. This letter provides a progress update on the Council's financial position for 2021-22.

This work was undertaken as part of our 2021-22 Assurance and Risk Assessment project to help discharge the Auditor General's duties¹.

We recognise that the both the current and future financial climate is both challenging and fluid and therefore this feedback provides a point in time assurance and risk progress update on the Council's financial position for 2021-22.

¹ These duties include under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act). It may also inform a study for improving value for money under section 41 of the 2004 Act, and/or an examination undertaken by the Auditor General under section 15 of the Well-being of Future Generations (Wales) Act 2015.

Financial Position update 2021-22

What we did

We undertook our assessment of the Council's 2021-22 Financial Position between September and November 2022. The evidence was gathered through interviews and document reviews and included consideration of the Council's financial reserves position, the delivery of planned savings and performance against the planned budget for the year. Whilst the focus of our work was on the 2021-22 financial year, where appropriate, consideration has also been given to later financial information where this helps to contextualise the position.

We also published a [Local Government Financial Sustainability Data Tool](#) in February 2022 which includes a range of financial data for councils, national parks and fire and rescue authorities in Wales.

What we found

The Council is financially stable, helped recently by additional Welsh Government funding. However, delivering sustainable planned future savings in an increasingly challenging financial climate is an ongoing significant financial risk.

Financial strategy

Our [previous work on financial sustainability](#) at the Council, (June 2021), found that the Council remained financially stable and was focussed on future challenges. Our 2021 financial sustainability report included a proposal for improvement that the Council should: continue to monitor the significant overspends in social care; and ensure that its Social Services Transformation Project is driving improvement. The Council is continuing to monitor its spending in social care and is currently in the process of gathering the data to assess the improvements being delivered through its Social Care Through Age Well-being Transformation Programme.

From our other wider audit work at the Council, (Springing Forward Reviews on [Workforce Management](#) and [Asset Management](#) (September 2022)), we identified that continuing to deliver the efficiencies through its transformation of social services and the significant long-term costs in maintaining its asset portfolio, will continue to represent ongoing financial risks for the Council.

In March 2022, the Council published its Medium Term Financial Strategy (MTFS) for 2022-23 to 2024-25. This outlined indicative annual assumptions for projected

spending and income for this period. It also forecasted likely resources and potential funding shortfalls and savings required.

The Council's March 2022 MTFS states that its financial strategy is to continue to manage the forecasted gap between likely resources and budget requirement in order to deliver a balanced budget position whilst meeting the Council's objectives. In the Council's March 2022 MTFS, the Council identified the need to make savings of £15 million to deliver a balanced budget between 2022-23 and 2024-25 – see **Exhibit 1** for the funding Gap and Savings projections.

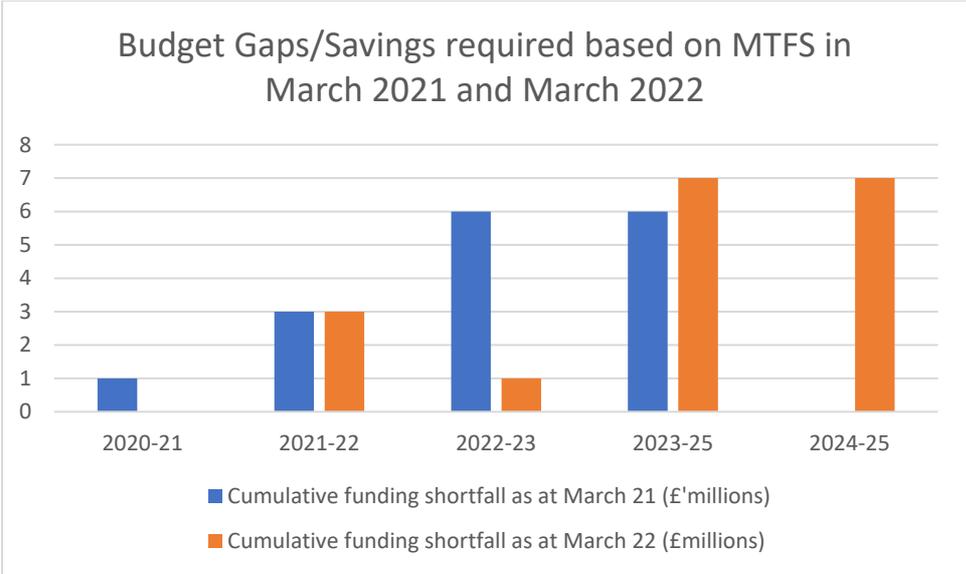
Additional monies from the Welsh Government in 2022-23 enabled the Council to postpone the original savings it required to make in 2022-23 by a further year. The Council received an 8.6% increase (on a like for like basis) from the Welsh Government's Revenue Support Grant which helped the Council to reduce the £6 million original savings required for 2022-23, (as identified in the Council's 2021-22 MTFS) to £1.3 million. However, in March 2021, the Council had identified a £15 million three-year rolling funding gap, and this still remained the position as at March 2022, albeit with the overall savings now being required a year later than originally planned.

At the time of its publication in March 2022, the Council's MTFS referred to a number of key risks and areas of uncertainty, such as the economic climate and the ongoing impact of COVID in increased costs and in reduced income from fees and charging income.

For 2021-22, the Council had a capital programme working budget of £22.1 million, with a final outturn spend of £17.5 million. For 2022-23, the Council's capital working budget more than doubled to £41.4 million, however, the Council is in the process of revising this downwards.

Exhibit 1: As at March 2022, Ceredigion County Council’s projected a medium-term funding gap of £15 million between 2022-2023 to 2024-25.

This graph shows the annual medium-term funding gap/savings required identified by the Council in March 2021 and March 2022.



Useable reserves

Our previous work on Financial Sustainability at the Council in June 2021 noted that the Council had continued its record of not making unplanned use of reserves to fund revenue expenditure, and usable reserves had increased in recent years.

The Council’s useable reserves grew by nearly £33 million between 2019-20 and 2021-22, from £27.7 million to £60.7 million. This was achieved through savings, underspends and additional Welsh Government funding largely due to the COVID pandemic.

The Council has a Reserves Policy in place and as at March 2022 had no plans to use general reserve balances to fund revenue base budgets other than for exceptional and agreed priority one-off items.

The Council’s Cabinet report in September 2022 included several areas of ongoing impact due to the COVID pandemic. As a result, there are expenditure items and lower levels of income that are being mitigated temporarily during 2022-23 by the Council’s corporate COVID budget provision. The Council’s 2022-23 budget setting process made allowance for a £2 million COVID-19 support budget, of which £1.25 million was funded as planned from its reserves. The main areas still being affected include schools supply cover, temporary highway changes and its care homes,

alongside lower levels of income being seen in trade waste and its Wellbeing Centres.

In 2020-21, the Council's useable reserves totalled 29.7% of its net cost of services, the ninth highest percentage of all councils in Wales. In 2021-22, this had risen to 38.6%.

Exhibit 2: Ceredigion County Council's amount of usable reserves versus annual budget

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

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net Cost of Services in £ millions ²	£147.6m	£147.2m	£151.8m	£155.8m	£149.92m	£157.3m
Total Useable Reserves not protected by law in £ millions	£20.2m	£21.5m	£24.2m	£27.7m	£44.6m	£60.7
Total Useable Reserves as a percentage of net cost of services	13.7%	14.6%	15.9%	17.8%	29.7%	38.6%
Comparison with other Councils in Wales	15th	13th	12th	11th	9th	Data not available

² Net cost of services Value used is the net cost of services charged to the general fund from the Expenditure Funding Analysis, less any Housing Revenue Account cost of services, plus precepts, levies and debt interest.

Savings delivery and performance against revenue budget

Our previous work on Financial Sustainability in June 2021 noted that the Council had a good track record of meeting its savings targets, however, delivering the required savings would be more challenging going forward.

For 2021-22, the Council's original planned savings estimate was £3 million. However, in September 2021, the Council reported that this would need to increase to £3.4 million, following a lower than expected financial settlement from the Welsh Government. The Council's strategy to deliver these savings focussed on services being required to save 1% of their budgets (£1.25 million) and a corporate savings target for the Council's Leadership Group collectively of £2.1 million. In September 2021, the Council's Cabinet report noted that 80% of the Council's service savings and 100% of its corporate savings target had already been achieved or were on target, continuing to demonstrate that the Council has a good track record on delivering its savings targets.

In July 2022, the Council's Cabinet report presented the final 2021-22 Controllable Revenue Outturn position and that 'the final overall revenue position is an overall underspend of £668,000. This includes the benefit of a surplus on Council Tax collection and additional Welsh Government Revenue Support Grant funding (which came as a result of an amended 2021-22 Local Government Finance Settlement issued in March 2022). The underspend is lower than projected due to transfers to earmarked reserves. The overall surplus will result in General Balances rising to £6.7 million, which equates to 4.1% of the 2022/23 Budget (being just above the mid-point of the target range of between 3% and 5%).'

In our prior financial sustainability work in June 2021, we highlighted the projected overspends in the Council's Social Services for 2021-22. As at the March 2022, the Council's MTFS identified significant planned savings for Social Services between 2022-23 and 2024-25 of £5.6 million, representing over a third of the total savings required by the Council for this period. Whilst the Council has reported a small overspend for Social Services for 2021-22, this was achieved through using almost £2.5 million of non-recurrent Welsh Government funding. Whilst this position is more positive than originally projected, the Council is aware that the savings targets for Social Services represent an ongoing financial risk and therefore should continue to be closely monitored.

Future Budget pressures

The Council's Cabinet report in September 2022 on the Council's 2022-23 controllable budget, identified several potential areas that will have a future impact on its finances and which at that time were unquantified. These included the continued financial impact of COVID (although this is being mitigated temporarily for 2022-23 by

the planned use of reserves), the cost-of-living crisis and the potential impact of national pay awards.

Medium-term financial planning will continue to rely on a range of assumptions, and when coupled with the changing socio-economic landscape in this period of significant economic uncertainty, planning for financial resilience and future budget rounds will continue to be challenging for councils.

I would like to take this opportunity to thank you and your officers for the ongoing support you provide to enable us to carry out our work.

Diolch yn fawr.

Yn gywir,

Audit Wales Engagement Team