

Dear Chief Executive

## Local Government studies programme and 2016-17 performance audit programme

Following my recent consultation in December/January on my three-year programme of Local Government Studies, I am writing to let you know the outcome of this exercise, and also to set out my intentions for delivering my programme of performance audit work at councils in 2016-17.

Firstly, I asked for views during my studies consultation on a list of possible studies, as well as inviting suggestions on other options for consideration. I received 32 responses and based on these and links to other work, I have adopted the following three-year programme. I should however stress that whilst 2016-17 studies are confirmed, I will be revisiting this programme regularly to consider other issues that emerge and will consult as appropriate on any changes as well as confirming the content and timing of studies.

Year	Proposed Studies
2016-17	<ol style="list-style-type: none"><li><b>1. Addressing dependency and demand for public services through the development of effective prevention approaches</b> – In the last few years, Councils in Wales have developed a model of public service delivery based on a ‘deficit approach’ – focusing on problems, needs and deficiencies of individuals and communities, designing services to fill the gaps and fix the problems, leading to individuals and communities becoming both disempowered and dependent. This review will consider how councils are reducing demand for services focussing on alternative methods of delivery, will consider the impact of decisions specifically within deprived communities, and would include a critique of the Welsh Government Anti-Poverty Strategy.</li><li><b>2. Strategic Commissioning</b> – The sharper focus on outcomes is leading to the reorientation of public services around a ‘commissioning model’. The majority of service provider relationships are borne out of a desire to cut costs and improve service delivery, however the opposite can (and often does) occur. Many Local Authorities underestimate the complexities involved in establishing a strong service provider partnership from the outset. This study will look at how effective councils are at strategic commissioning.</li></ol>

Year	Proposed Studies
2016-17	<p><b>3. Improving joint work on housing and health</b> – Joint working between housing and health can reduce pressures on the NHS and improve an individual’s overall wellbeing. It is widely recognised that the quality of housing and the surrounding neighbourhood are influential in shaping health and wellbeing at different points of people’s lives. Given the critical role of housing in addressing health inequalities this review will consider how councils are working with health and housing bodies to deliver health improvements.</p>
2017-18	<p><b>1. Tackling the causes and effects of drug and alcohol misuse.</b></p> <p><b>2. Using data effectively</b></p> <p><b>3. How well do public services provide services to rural communities</b></p>
2018-19	<p><b>1. Implementing Social Services and Well Being Act</b></p> <p><b>2. Tackling domestic violence</b></p> <p><b>3. Are planning services delivering value for money</b></p>

The three studies selected for 2018-19 focus on areas where new legislation has only recently been introduced. I therefore plan to run small-scale information gathering exercises for each of these studies in 2016-17 to gather local authorities’ current views about their implementation and to test the outcome and impact of these changes in 2018-19. This will enable me to take a longitudinal perspective on the work.

I will be putting in place ‘virtual’ project steering groups for each of my studies, and will invite expressions of interest to contribute. These small groups will assist in reviewing the project briefs and tools as they are developed, and will contribute to reality checking emerging findings. This is an approach I am using in my current third-sector funding study and one that proved to be extremely beneficial..

Whilst writing, I would also like to set out my intentions for delivering my programme of performance audit work at councils in 2016-17. I have reviewed my existing local government performance audit programme in the light of the reform programme set out in the draft Local Government (Wales) Bill. I have taken into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).

As the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, I intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.

I therefore propose to undertake three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish national summary reports, funded by the WPI grant, that will provide all-Wales overviews and signpost good practice and shared learning. As well as responding to the fast changing environment for local government, my choice of thematic reviews has been influenced by responses to my local government studies consultation. In brief, the three thematic reviews that I have decided upon are as follows, and I will provide councils with a detailed project brief in due course.

Financial resilience review	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
Governance review	With the introduction of CIPFA's revised framework for 'Delivering good governance in local government', and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.
Transformation review	This baseline review will examine how councils are approaching 'transformational change'. In particular how key corporate enabler functions work in an integrated way to support change programmes.

As the Local Government (Wales) Measure 2009 will continue to apply to councils in 2016-17, I will still need to satisfy audit requirements under section 17. I will do this through a basic audit check of local authority publications and will provide a certificate of compliance. In terms of my section 18 assessment requirements, I will discharge this through the thematic reviews that I have outlined above. I intend to leave some headroom within the fee structure for agreeing local risk-based work following discussion with each council. As each of the thematic reviews will result in a local report, annual reporting will be by means of an annual letter providing summary highlights and linking to local reports.

For those councils yet to have a Corporate Assessment, I will consider whether any additional assurance work is required over and above the three mandated reviews to gain assurance that 'proper arrangements' are in place to satisfy the 2009 Measure requirements.

I apologise for the lateness of this communication. Unfortunately, due to the late notice of withdrawal of a significant amount of WPI grant funding, I have had to take a little time to consider the implications of the reduction in funding I receive from the Welsh Government with a view to ensuring, as far as I am able, that there is little or no adverse fee impact on councils.

If you have any views on the content of this programme, it would be helpful to receive those comments by 31 March 2016. My staff will, of course, be discussing my programme of work with you in more detail on an individual council basis and will be happy to answer any specific queries that you may have.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas', with a stylized flourish at the end.

**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**