

THE VALE OF GLAMORGAN COUNCIL

CABINET: 2ND FEBRUARY, 2023

REFERENCE FROM CORPORATE PERFORMANCE AND RESOURCES
SCRUTINY COMMITTEE: 18TH JANUARY, 2023

“ AUDIT WALES: VALE OF GLAMORGAN COUNCIL ASSURANCE AND RISK ASSESSMENT (ARA) REVIEW 2021/2 AND THE AUDITOR GENERAL FOR WALES NATIONAL STUDY REPORT ON PUBLIC SECTOR CARBON READINESS FOR NET ZERO BY 2030 (REF) –

The reference from the Governance and Audit Committee of 12th December, 2022 was presented by the Director of Corporate Resources.

The annual report (appended at Appendix A) summarised Audit Wales’s findings from its Assurance and Risk Assessment review of the Council for the audit period 2021/22, including the Council’s financial position, implementation of the Local Government and Elections (Wales) Act 2021 (including self-assessment arrangements) and carbon reduction plans.

Of note, was the recommendation made that the Council needed to fully cost its action plan, as well as ‘calls for action’ from the national study on Public Sector Readiness for Net Zero Carbon by 2030, concerning leadership and the use of resources, amongst other activities, in order for the public sector to achieve decarbonisation. The Council’s proposed response was to undertake a costing exercise of Project Zero as part of its delivery, referenced in the Cabinet report regarding the Council’s Medium Term Financial Plan refresh and develop proposals for the revenue budget.

After the presentation of the reference, the Committee raised a number of questions and comments.

Councillor Dr. Johnson commented on the wider challenges of costing and funding of decarbonisation, and the need for a higher and wider level of leadership in this area. The Director stated that this illustrated the complexity of the challenge in both costing Project Zero and the sourcing of funding for this. The Council, at various levels, was looking at potential sources of funding that was consistent with the Project Zero ethos, and this was a work in progress.

The Chair referred to the excellent ‘rhetorical’ questions within the national audit report, which set out difficult, but essential, queries that the Council needed to address in order to achieve decarbonisation. The Director agreed, and this was why Project Zero was one of the three critical challenges outlined in the 2023/24 Annual Development Plan (ADP).

Councillor Franks referred to the paragraph in the Assurance and Risk Assessment Review concerning the Council’s ‘mixed track record’ on delivering savings targets and whether the Council was confident that this had been overcome. It was

explained that the regulators had concluded that the Vale of Glamorgan Council was well-placed to keep its financial resilience but would still need to address the budget 'gap' over the medium term, with consideration needed on the use of savings, additional sources of income and reserves. On the query concerning a previous budget surplus, this would be referred to officers in Finance for a response. With regard to the future pressures on the budget, the Strategic Leadership Team and other Council officers and staff, had taken a significant amount of time to look at the future budget proposals and the means to monitor this effectively.

The Vice-Chair suggested that, with regard to the Audit Wales report and savings being achieved in previous years, it would be beneficial to ensure targets were set for specific areas which would then be less likely to make an impact on services and other key areas of Council business, as well as assisting the proper scrutiny of these.

Having considered the reference and appended reports, Scrutiny Committee

RECOMMENDED –

(1) T H A T the following comment from the Committee, regarding the contents of the Vale of Glamorgan Council Assurance and Risk Assessment Review 2021/22, be referred to Cabinet:

- The need for the Council to monitor and address savings targets, for example, looking to set targets for specific areas of savings in order to help meet savings targets in a more targeted way which achieves the savings requested without impacting on services and other key areas of Council business.

(2) T H A T the following comments from the Committee, regarding the contents of Public Sector Readiness for Net Zero Carbon by 2030 National Report and the Council's response, be referred to Cabinet:

- It was important for the Council to consider the wider challenges regarding funding the move to Net Zero, where this funding will come from, and to address decarbonisation around the wider supply chain linked to the Council.
- The need for leadership at a higher and wider level in order to achieve decarbonisation.

Reason for recommendations

(1&2) For Cabinet to be informed of the views of the Committee, as part of their consideration of these reports.”

N.B. Attached as Appendix: Reference to Corporate Performance and Resources Scrutiny Committee: 18th January, 2023 and Report to Governance and Audit Committee: 12th December, 2023.

Appendix

THE VALE OF GLAMORGAN COUNCIL

CORPORATE PERFORMANCE AND RESOURCES SCRUTINY COMMITTEE:
18TH JANUARY, 2023

REFERENCE FROM GOVERNANCE AND AUDIT COMMITTEE: 12TH DECEMBER,
2022

“555 AUDIT WALES: VALE OF GLAMORGAN COUNCIL ASSURANCE AND RISK ASSESSMENT (ARA) REVIEW 2021/22 AND THE AUDITOR GENERAL FOR WALES NATIONAL STUDY REPORT ON PUBLIC SECTOR CARBON READINESS FOR NET ZERO BY 2030 (DCR) –

The report (appended at Appendix A) summarised Audit Wales’s findings from its Assurance and Risk Assessment review of the Council for the audit period 2021/22.

Focusing on the Council’s financial position, implementation of the Local Government and Elections (Wales) Act 2021 (including self-assessment arrangements) and carbon reduction plans, the review had helped to identify the level of audit assurance and/or where further audit work may be required in future years in relation to Council risks. The Review had also helped to assess the extent to which the Council was applying the sustainable development principle in taking steps to meet its Well-being Objectives.

The Review concluded the following

- The Council remained well-placed to maintain its financial resilience, had increased its usable reserves but needed to determine how it would meet its budget gap over the medium term;
- The Council was taking appropriate steps to respond to the requirements of the Local Government and Elections (Wales) Act 2021;
- The Council was taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2030 but recognised that further work was needed in terms of resourcing its plans.

One recommendation had been made:

R1: In order to meet its net zero ambition the Council needed to fully cost its action plan and ensure that it was aligned with its Medium-Term Financial Plan.

In line with a commitment to carry out a long-term programme of work on climate change, the Auditor General for Wales in July 2022 published a report on Public Sector Carbon Readiness for Net Zero by 2030, which was attached at Appendix B to the report. Informed by 48 public bodies (including the Vale of Glamorgan Council and Welsh Government) completing a call for evidence, the report set out five calls

for action to tackle the common barriers to decarbonisation in the public sector. Whilst no specific recommendations were made, public sector bodies were encouraged to consider the report and to set out publicly how they intended to respond to the calls for action.

The Council's Project Zero Programme team had reviewed the report and findings. In response to the recommendation made in Appendix A, work to cost individual delivery schemes as well as developing the data and insight needed to help understand the overall financial costs including affordability to deliver on the Project Zero action plan commitments was underway. This work would take time to complete given the need to also consider potential sources of funding / financial streams to ensure the Council was leveraging in the funding needed alongside its revenue and capital budgets to deliver the Project Zero Challenge Plan over the medium to long-term. This work would also enable the Council to address the above Audit Wales recommendation, to fully cost the Project Zero action plan and ensure it was aligned with the Medium Term Financial Plan. Members would be updated on progress in relation to this work in due course and would note references to the delivery of this corporate commitment in the recently revised Medium Term Financial Plan.

Governance and Audit Committee were requested to note the findings of Audit Wales's Assurance and Risk Assessment review of the Vale of Glamorgan Council for the audit year 2021/22 and following consideration, refer the report to Corporate Performance and Resources Scrutiny Committee with any recommendations / comments of the Committee referred to Cabinet thereafter for their oversight.

Governance and Audit Committee were also requested to review the contents of the appended Public Sector Readiness for Net Zero Carbon by 2030 National Study report and the Council's response and upon consideration, to refer the report to the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee with any recommendations / comments referred to Cabinet thereafter for their consideration and endorsement of the proposed actions to address the recommendation and the National Study.

Councillor M. Hooper referred to Net Zero and there being a lot mentioned around costs. One thing that he expected to see was more in relation to politics and encouraging people to change behaviours as there was likely to be a big impact on lifestyles. Therefore, the Council needed to be brave in how it met future challenges. In reply, the Director of Corporate Resources stated that the national study undertaken by Audit Wales had provided some useful insights into community leadership and also internal leadership of this agenda within the Council. Project Zero was not just about technical decarbonisation and energy reduction, but it also outlined the Council's response around leadership and behaviour change in the first set of challenges in the Plan. These were up and centre in terms of the Council's plans and as always would be a key part of decision making.

Councillor J. Protheroe stated that to achieve Net Zero, the most important aspect for the Council was leadership. Climate change was not going to wait for the financial challenges of the Council to improve, and so leadership and decisions came down to every single employee of the Council to change behaviours and what the Council spends its money on. Councillor Protheroe went on to query how would

the Council capture data and monitor / benchmark progress, adding that the circular economy was a good place to start. In reply, the Director of Corporate Resources advised that it was accepted that measuring success was not an exact science, but he was looking at how information could be provided. The direction of travel for emissions was straightforward as the Council had a suite of measures already in place, for example, the level of emissions from its fleet of vehicles. The supply chain and how the Council purchased goods and services, was where the vast majority of carbon emissions existed, so at the moment, the Welsh Government framework used proxy indicators for the amount of emissions. That and emissions generated through certain activities like domiciliary care for example, was something that the Council was currently looking at. The Director added that the Council's new Procurement Strategy focused on issues which would be designed into the process at the very beginning before the Council even went out to procure.

The Chair, Mr. G. Chapman, referred to the current financial climate facing Councils and the upcoming challenges likely to come from the upcoming budget settlement from Welsh Government. The Chair queried whether the long term financial challenges facing Councils was something that Audit Wales took into consideration as part of its Audit review work. In response, Mr. I. Phillips (Audit Wales) advised that it was not Audit Wales's role to dictate policy, but there was a national drive to work to set of goals for 2030. He took on board the comments about the financial pressures which ultimately came down to the Council having to prioritise what it spent its money on, and what were its key challenges. The work of Audit Wales was not about putting pressure onto Councils but related to the progress made in executing their goals and objectives.

Mr. I. Phillips added that Audit Wales had undertaken a succession of financial sustainability reviews, which were on the tail end of austerity. This work was further impacted by Covid and the pandemic, which meant that Audit Wales tried to be sensitive to the needs of Councils, and so review work was paused and pushed back. Audit Wales were therefore acutely conscious of the difficulties with the competing financial demands.

Subsequently, it was

RESOLVED –

(1) T H A T the contents of the Vale of Glamorgan Council Assurance and Risk Assessment Review 2021/22 be noted, and the report referred Corporate Performance and Resources Scrutiny Committee with any recommendations / comments of that Scrutiny Committee referred to Cabinet thereafter.

(2) T H A T the contents of the appended Public Sector Readiness for Net Zero Carbon by 2030 National Report and the Council's response be noted, and the report referred to the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee with any recommendations / comments referred to Cabinet thereafter for their consideration and endorsement of the proposed actions to address the recommendation and the National Study.

Reason for decisions

(1&2) Having regard to the contents of the report and discussions at the meeting.”

Attached as Appendix: Report to Governance and Audit Committee: 12th December, 2022

Meeting of:	Governance and Audit Committee
Date of Meeting:	Monday, 12 December 2022
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Audit Wales: Vale of Glamorgan Council Assurance and Risk Assessment (ARA) Review 2021/22 and the Auditor General for Wales national study report on Public Sector Carbon Readiness for Net Zero by 2030.
Purpose of Report:	To present the findings of Audit Wales's Vale of Glamorgan Assurance and Risk Assessment Review for the audit year 2021/22 and the Auditor General for Wales national study report on Public Sector Carbon Readiness for Net Zero by 2030.
Report Owner:	Tom Bowring, Director of Corporate Resources
Responsible Officer:	Tom Bowring, Director of Corporate Resources
Elected Member and Officer Consultation:	No specific ward member consultation has been undertaken. The ARA applies to the whole authority and informs Scrutiny Committees' annual work programme, the Cabinet annual work programme and the Council's improvement programme. Progress in relation to areas for improvement arising from the Annual Regulatory Plan (including local and national reviews) is regularly reported via the Council's Insight Tracker to the Strategic Leadership Team, relevant Scrutiny Committees, Governance and Audit Committee and Cabinet for final oversight
Policy Framework:	This is a matter for Executive decision by Cabinet.
<p>Executive Summary:</p> <ul style="list-style-type: none"> • The report (appended at Appendix A) summarises Audit Wales's findings from its Assurance and Risk Assessment review of the Council for the audit period 2021/22. • Focusing on the Council's financial position, implementation of the Local Government and Elections (Wales) Act 2021 (including self-assessment arrangements) and carbon reduction plans, the review has helped to identify the level of audit assurance and/or where further audit work may be required in future years in relation to Council risks. The review has also helped to assess the extent to which the Council is applying the sustainable development principle in taking steps to meet its Well-being Objectives. • The review concluded the following: 	

- The Council remains well-placed to maintain its financial resilience, has increased its usable reserves but needs to determine how it will meet its budget gap over the medium term.
- The Council is taking appropriate steps to respond to the requirements of the Local Government and Elections (Wales) Act 2021.
- The Council is taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2030 but recognises that further work is needed in terms of resourcing its plans.
- One recommendation was made:
- R1: In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.
- In line with a commitment to carry out a long-term programme of work on climate change, the Auditor General for Wales in July 2022 published a report on Public Sector Carbon Readiness for Net Zero by 2030, [Appendix B](#). Informed by 48 public bodies (including the Vale of Glamorgan Council and Welsh Government) completing a call for evidence, the report sets out five calls for action to tackle the common barriers to decarbonisation in the public sector. Whilst no specific recommendations were made, public sector bodies are encouraged to consider the report and to set out publicly how they intend to respond to the calls for action.
- The Council's Project Zero Programme team has reviewed the report and findings. In response to the recommendation made in Appendix A, work to cost individual delivery schemes as well developing the data and insight needed to help understand the overall financial costs including affordability to deliver on the Project Zero action plan commitments is underway. This work will take time to complete given the need to also consider potential sources of funding/ financial streams to ensure we are leveraging in the funding needed alongside our revenue and capital budgets to deliver the Project Zero Challenge Plan over the medium to long-term. This work will also enable the Council to address the above Audit Wales recommendation, to fully cost the Project Zero action plan and ensure it is aligned with the Medium Term Financial Plan. Members will be updated on progress in relation to this work in due course and will note references to the delivery of this corporate commitment in the recently revised Medium Term Financial Plan.
- Governance and Audit Committee are requested to note the findings of Audit Wales's Assurance and Risk Assessment review of the Vale of Glamorgan Council for the audit year 2021/22 and upon consideration, to refer the report to Corporate Performance and Resources Scrutiny Committee with any recommendations/comments of the Committee referred to Cabinet thereafter for their oversight.
- Governance and Audit Committee are also requested to review the contents of the appended Public Sector Readiness for Net Zero Carbon by 2030 national study report and the Council's response and upon consideration, to refer the report to the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee with any recommendations /comments referred to Cabinet thereafter for their consideration and endorsement of the proposed actions to address the recommendation and the national study.

Recommendations

1. That Governance and Audit Committee note the contents of the Vale of Glamorgan Council Assurance and Risk Assessment review 2021/22 and refer the report to Corporate Performance and Resources Scrutiny Committee with any recommendations/comments of the Committee referred to Cabinet thereafter.
2. That Governance and Audit Committee review the contents of the appended Public Sector Readiness for Net Zero Carbon by 2030 national report and the Council's response and upon consideration, to refer the report to the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee with any recommendations /comments referred to Cabinet thereafter for their consideration and endorsement of the proposed actions to address the recommendation and the national study.

Reasons for Recommendations

1. To provide for scrutiny of the findings of Audit Wales's Assurance and Risk Assessment review 2021/22 of the Vale of Glamorgan Council.
2. To enable the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee to consider the Public Sector Readiness for Net Zero Carbon by 2030 national study report and the Council's response to address the Audit Wales recommendation arising from the Council's Assurance and Risk Assessment (ARA) Review and the national study.

1. Background

- 1.1 Audit Wales' Assurance and Risk Assessment review of the Council has been undertaken in accordance with Section 17 of the Public Audit (Wales) Act 2004 and Section 15 of the Well-being of Future Generations (Wales) Act 2015.
- 1.2 The Assurance and Risk Assessment review summarises Audit Wales's findings and reflects the level of audit assurance and/or where further audit work may be required in future years in relation to the Council's risks. The outputs of this review alongside a summary of all audit work undertaken during the Council since the last Annual Audit Summary in January 2022 will be reflected in the Annual Audit Summary to be published by Audit Wales in the autumn of 2022.

2. Key Issues for Consideration

- 2.1 The report (appended at [Appendix A](#)) summarises Audit Wales's findings from its Assurance and Risk Assessment review of the Council for the audit period 2021/22.
- 2.2 Focusing on the Council's financial position, implementation of the Local Government and Elections (Wales) Act 2021 (including self-assessment arrangements) and carbon reduction plans, the review has helped to identify the level of audit assurance and/or where further audit work may be required in future years in relation to Council risks. The review has also helped to assess the

extent to which the Council is applying the sustainable development principle in taking steps to meet its Well-being Objectives.

2.3 The review concluded the following:

- The Council remains well-placed to maintain its financial resilience, has increased its usable reserves but needs to determine how it will meet its budget gap over the medium term.
- The Council is taking appropriate steps to respond to the requirements of the Local Government and Elections (Wales) Act 2021.
- The Council is taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2030 but recognises that further work is needed in terms of resourcing its plans.

2.4 One recommendation was made:

R1: In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.

2.5 In line with a commitment to carry out a long-term programme of work on climate change, the Auditor General for Wales in July 2022 published a report on Public Sector Readiness for Net Zero carbon by 2030, [Appendix B](#). Informed by 48 public bodies (including this Council and Welsh Government) completing a call for evidence, the report sets out five calls for action to tackle the common barriers to decarbonisation in the public sector. These are:

- Strengthen your leadership and demonstrate your collective responsibility through effective collaboration;
- Clarify your strategic direction and increase your pace of implementation;
- Get to grips with the finances you need;
- Know your skills gaps and increase your capacity
- Improve data quality and monitoring to support your decision making.

2.6 Whilst no specific recommendations were made, public sector bodies are encouraged to consider the report and to set out publicly how they intend to respond to the calls for action. In response, the Council's Project Zero Programme team has reviewed the report and findings. In response to the recommendation made in Appendix A, work to cost individual delivery schemes as well developing the data and insight needed to help understand the overall financial costs including affordability to deliver on the Project Zero action plan commitments is underway. This work will take time to complete given the need to also consider potential sources of funding/ financial streams to ensure we are leveraging in the funding needed alongside our revenue and capital budgets to deliver the Project Zero Challenge Plan over the medium to long-term. This work will also enable the Council to address the above Audit Wales recommendation, to fully cost the Project Zero action plan and ensure it is aligned with the Medium Term Financial Plan. Members will be updated on progress in relation to this work in due course and will note references to the delivery of this corporate commitment in the recently revised Medium Term Financial Plan Governance and Audit Committee are requested to note the findings of Audit Wales's Assurance and Risk Assessment review of the Vale of Glamorgan Council for the audit year 2021/22 and upon consideration, to refer the report to Corporate Performance and Resources Scrutiny Committee with any

recommendations/comments of the Committee referred to Cabinet thereafter for their oversight.

- 2.7** Governance and Audit Committee are also requested to review the contents of the appended Public Sector Readiness for Net Zero Carbon by 2030 report and the Council's response and upon consideration to refer the report to the Environment and Regeneration Scrutiny Committee and Corporate Performance and Resources Scrutiny Committee with any recommendations /comments referred to Cabinet thereafter for their consideration and endorsement of the proposed actions to address the recommendation and the national study.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Performance Management is an intrinsic part of corporate governance and integrated business planning which underpins the delivery of the Council's Corporate Plan and its Well-being Outcomes. Our Corporate Plan has been structured around the Well-being of Future Generations (Wales) Act 2015, through the development of four Well-being Outcomes and eight Well-being Objectives. By aligning our Well-being Outcomes in the Corporate Plan with the Well-being Goals of the Act, this will enable us to better evidence our contribution to the Goals.
- 3.2** External Regulation is an important vehicle for driving continuous improvement across our services. Progressing the improvement areas identified by our regulators not only enables us to demonstrate our commitment to continuous service improvement, but also contributes to further strengthening our impact on the national well-being goals through the achievement of our well-being objectives.
- 3.3** Associated action plans in response to regulatory review findings are developed with the five ways of working in mind. The focus is on developing innovative ways of working that better integrate services, whilst enabling us to work more collaboratively with our partners and citizens to involve them in improving service delivery. Our improvement actions will also focus on preventative actions that will enable us to sustain and future proof our services into the longer term.
- 3.4** The five ways working will be embedded throughout Project Zero activities, and we will be working collaboratively via the Public Services Board and with other partners. It is recognised that this is a long-term project, but that action needs to be taken now and that prevention will be a critical element to this work. Involvement of the community in order for them to shape our activities and to understand the need for change will be fundamental to us making a difference through our activities and we will be integrating work on this agenda across the Council ensuring this is seen as the responsibility of all Directorates and staff.

4. Climate Change and Nature Implications

- 4.1** Failure to respond to our regulatory recommendations could have a negative impact on any future external regulatory assessments and could result in a

special inspection by the Auditor General for Wales if deemed that the Council is not meeting the performance requirements.

- 4.2 The climate change and nature implications in respect of our regulatory recommendations will be considered as part of the development of our response and will identify mitigating actions required to minimise any adverse consequences.
- 4.3 Project Zero is the Council's response to the climate emergency and brings together work from across the Council in a co-ordinated response to the climate emergency. Commitments in the Climate Change Challenge Plan are designed to enable the Council to meet its ambition to be net zero by 2030 and include actions that will change how we work, enable others to make changes and raise awareness about the need for urgent action.

5. Resources and Legal Considerations

Financial

- 5.1 The Assurance and Risk Assessment review informs the Council's Annual Audit Work Programme.
- 5.2 Audit and inspection fees for the Council are met from existing budgets.
- 5.3 Whilst there are no direct budgetary implications arising from this report, some recommendations (Project Zero) will require financial resources to implement. This will be considered as part of our response and implementation and is reflected in the Council's Medium Term Financial Plan.

Employment

- 5.4 There are no direct workforce related implications associated with this report.

Legal (Including Equalities)

- 5.5 The statutory duties of the Auditor General are contained within the Local Government and Elections (Wales) Act 2021, the Well-being of Future Generations (Wales) Act 2015, the Public Audit (Wales) Act 2004, the Local Government Act 1999 and the Code of Audit Practice.
- 5.6 Activities undertaken in response to the climate change emergency will be consistent with duties under the Environment Act and the Well-being of Future Generations Act.

6. Background Papers

None

Assurance and Risk Assessment Review – Vale of Glamorgan Council

Audit year: 2021-22

Date issued: October 2022

Document reference: 3211A2022

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

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We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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What we reviewed and why

- 1 We undertook this project to identify the level of audit assurance and/or where further audit work may be required in future years in relation to risks to the Council putting in place proper arrangements to secure value for money in the use of resources. This project also helped us to assess the extent to which the Council is applying the sustainable development principle in taking steps to meet its wellbeing objectives.
- 2 This report summarises our findings in the areas where we have undertaken more detailed Assurance and Risk Assessment work. We will also produce an Annual Audit Summary in the autumn of 2022 that will summarise all of our audit work undertaken since our last Annual Audit Summary in January 2022.
- 3 We focused in particular on the following areas at the Council:
 - financial position
 - implications of the Local Government and Elections (Wales) Act 2021 including self-assessment arrangements
 - carbon reduction plans
- 4 Our evidence base for this work included conversations with officers and reviewing relevant documents.
- 5 During the year, we also wrote to the Council raising concerns about the extent to which the Council had applied the sustainable development principle as part of its leisure contract extension. This followed on from our previous report on leisure in 2020 where we had made specific proposals for improvement for the Council to strengthen its application of the sustainable development principle. The letter is included at **Appendix 1**. We were reassured by the Chief Executive's response to our concerns. As part of our 2022-23 performance audit work, we will be doing a review to gain assurance that the Council has effective arrangements for ensuring that service areas are applying the sustainable development principle.
- 6 The Assurance and Risk Assessment project has been ongoing throughout the year. We fed back emerging findings to officers as we undertook this work, and also held a workshop with the Senior Leadership Team in March 2022 at which we shared emerging findings in relation to some aspects of this work. We also used the workshop to gather the perspectives of senior managers on the key audit risks in relation to the Council and to inform our forward planning.

Financial position

The Council remains well-placed to maintain its financial resilience, has increased its usable reserves but needs to determine how it will meet its budget gap over the medium term

- 7 We concluded our review of the Council's financial position in July 2022. This included consideration of the Council's financial reserves position, the delivery of planned savings and performance against the planned budget for the year.
- 8 Overall, we have found that the Council, in line with our August 2021 financial sustainability report¹, remains well-placed to maintain its financial resilience and has a healthy level of reserves. The Council has reported a 2021-22 year end deficit of £13,000, but this is after the transfer of just over £18 million into reserves.
- 9 **Exhibit 1** shows that in recent years the Council has compared favourably with other Councils in Wales in respect of its amount of usable reserves as a percentage of net cost of services.

Exhibit 1: 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 delivers².

	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net cost of services in £ millions ³	245.4	234.4	241.5	248.6	256.2	286.7
Total usable reserves in £ millions ⁴	76.7	78.7	81.2	83.0	92.2	110.8
Total usable reserves as a percentage of net cost of services	31.3%	33.6%	33.6%	33.4%	36%	38.6%
Comparison with the other councils of Wales	2	1	1	1	4	Not yet available

¹ [Financial Sustainability Assessment - Vale of Glamorgan Council - August 2021](#)

² Source: 2016-17–2020-21: Audit Wales [financial sustainability data tool](#); 2021-22: Council's draft accounts.

³ 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.

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

- 10 Taking into account the indicative increases provided by Welsh Government for 2023-24 and 2024-25, the Council has estimated a potential shortfall of £15.7 million over that period. The Council will need to set out how it plans to meet that gap and address any other emerging pressures in the next iteration of its Medium Term Financial Plan.
- 11 The Council has a mixed track record of delivering its savings targets. Although the Council achieved its significantly reduced savings target of £247,000 in 2020-21, there was a shortfall of £120,000 against its £500,000 target for 2021-22. The Council is rolling forward these unachieved savings to 2022-23.
- 12 The Council has particular budgetary pressures in social services and waste services, but has plans in place to address them. The Council increased its budgets for both services for 2022-23. There is planned use of reserves in social services, for example for additional staff due to rising demand. The waste service has produced a new 10 year strategy and business plan aimed at addressing the funding gap that has been in the service for a number of years.
- 13 Welsh Government's indicative funding settlements on an all-Wales basis of 3.5% and 2.4% respectively for 2023/24 and 2024/25 provide a degree of funding certainty over the medium-term. However, medium-term financial planning will continue to rely on a range of assumptions, and when coupled with the changing socio-economic landscape in this period of significant economic uncertainty, planning for financial resilience and future budget rounds will continue to be challenging for councils.
- 14 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. The tool can be accessed via the following link – [Financial Sustainability data tool](#).

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

The Council is taking appropriate steps to respond to the requirements of the Local Government and Elections (Wales) Act 2021

- 15 We gave high level consideration to the arrangements the Council is putting in place to respond to the Local Government and Elections (Wales) Act 2021 (the 2021 Act). Overall, we are assured about the actions the Council has taken, and plans to take, to meet the requirements of the Act.
- 16 The Council has put in place sound arrangements to facilitate the development of its self-assessment, and is determining its plans for its panel performance assessment. The Council set up a working group that met regularly to consider the implications of the 2021 Act. The Council included a related risk on its corporate risk register and identified a suite of mitigating actions to address the risk.

- 17 The 2021 Act requires councils to keep performance under review, and consult and report on performance through a self-assessment. Councils must publish a self-assessment of their performance for each financial year. The Council has a plan for producing the self-assessment itself and at the time of writing there are currently five directorate level self-assessments in draft. Internal challenge sessions are planned where Directors will present their draft self-assessments to the relevant Cabinet Member, Chief Executive, a peer Director and the chair of the relevant scrutiny committee. It is proposed that Governance and Audit Committee will consider the draft self-assessment in September 2022.
- 18 Following public consultation, the Council has published its public participation strategy in accordance with the 2021 Act. The draft strategy went to Cabinet and the Corporate Performance and Resources Scrutiny Committee in April 2022.
- 19 The Council plans to carry out its consultation duty over the summer to inform its draft self-assessment.
- 20 The Council has set up its new Governance and Audit Committee (GAC) in line with the requirements of the 2021 Act. Membership of the Committee now includes three lay members and is chaired by a lay member. The Council has developed a new terms of reference for the GAC and has provided training to the committee, including information about the committee's role and the 2021 Act.

Carbon reduction plans

Context

- 21 In July 2022, the Auditor General published **Public Sector readiness for Net Zero Carbon by 2030**⁵, which looked at decarbonisation actions in 48 public bodies, including all councils. This report found uncertainty that the collective ambition for a net zero public sector by 2030 will be met. Our work identified significant, common barriers to progress that public bodies must collectively address to meet the collective ambition. We found that while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions.
- 22 In the report, the Auditor General makes the following five calls for action from public bodies:
 - strengthen your leadership and demonstrate your collective responsibility through effective collaboration:
 - clarify your strategic direction and increase your pace of implementation;
 - get to grips with the finances you need;
 - know your skills gaps and increase your capacity; and
 - improve data quality and monitoring to support your decision making.

⁵ <https://www.audit.wales/news/uncertainty-ambition-net-zero-public-sector-will-be-met-according-auditor-general>

- 23 The following paragraphs set out the findings of our local audit work on the Council's decarbonisation action plan. These findings sit within the wider context of the Auditor General's July 2022 report that calls for increased pace and stronger leadership across Wales in reducing carbon emissions.

The Council is taking forward its plans to meet the challenge of achieving net zero carbon emissions by 2030, but recognises that further work is needed in terms of resourcing its plans

- 24 We reviewed the Council's plans for carbon reduction and spoke with relevant council officers in May 2022. Our work included a focus on the clarity of the Council's vision, its approach to partnership working, and arrangements for monitoring and reviewing progress.
- 25 The Council has a clear vision of what it wants to achieve. The Council has declared a climate emergency and has initiated 'Project Zero' as a response to that. As part of Project Zero the Council have produced a Climate Change Challenge Plan 2021-2030. The Council understands how its decarbonisation/climate change activity has wider impacts, such as in respect of the national well-being goals and the Council's four well-being objectives, although its Challenge Plan doesn't explicitly articulate those connections.
- 26 The Council is funding additional staff resource in 2022-23, and there is currently £600,000 in its Project Zero reserve and £650,000 in its green infrastructure and climate change reserve. There are also two other earmarked reserves related to the delivery of Project Zero. The Council states that the identified reserve funding will not be sufficient in itself and that further work to leverage additional funding will be required. There are national skills gaps that the Council, in common with other Local Authorities, will need to seek to mitigate as the decarbonisation agenda grows in pace and importance. In order to meet its net zero ambition, the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.
- 27 The Council understands the challenge it is faced with and is taking its net zero agenda forward. The Council understands the risks and opportunities that present themselves from the challenge of achieving net zero carbon status by 2030. The Council's corporate risk register includes the risk of 'Environmental Sustainability' and forecasts that this risk will rise over time. The Council are developing a staff training programme and Project Zero will be part of the member induction programme. The Council recognises that improving the quality of its emissions data is an area of focus going forward.
- 28 The Climate Change Challenge Plan has a strong focus on partnership working. The Council is already working with some community groups and is taking steps to increase staff levels so that it can also work more closely with Town and Community Councils and the third sector. The Council is represented on various all Wales officer groups in relation to decarbonisation, and on the PSB joint asset management/climate change group, and seeks to share knowledge of decarbonisation initiatives with other organisations.

- 29 The Climate Change Challenge Plan recognises the Council's community leadership role and the challenge to 'engage with the community and listen to their priorities for tackling climate change and protecting our natural resources, supporting them to make a difference and to shape our collective ambitions'. The Challenge Plan acknowledges that 'involvement' (alongside the other ways of working set out in the Well-being of Future Generations (Wales) Act 2015) is essential if it is to achieve its goals. The Council will need to ensure that those persons that it involves in its decarbonisation plans reflect the diversity of the population.
- 30 The Council has governance arrangements in place to oversee its Project Zero agenda. It set up a Project Zero Board in late 2021, chaired by the Chief Executive. A Project Zero update report was presented to Cabinet, the Corporate Performance and Resources Scrutiny Committee and the Environment and Regeneration Scrutiny Committee in the first quarter of 2022 and the intention is for progress to be reported three times per year to these forums.

Recommendation

Exhibit 2: recommendation

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

Recommendation	
R1	In order to meet its net zero ambition the Council needs to fully cost its action plan and ensure that it is aligned with its Medium-Term Financial Plan.

Appendix 1

Mr Rob Thomas
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Vale of Glamorgan Council
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BY EMAIL

Date issued: 23 March 2022

Dear Rob

Application of the sustainable development principle in the leisure contract extension

Thank you for your letter of 7 February 2022, which we welcomed as a proactive and constructive response to the concerns we had raised with you about the Council's application of the sustainable development principle in the extension of its leisure contract with Parkwood Leisure Ltd (sub-contracted to Legacy Leisure). We will be keen to continue to understand how the Council progresses in line with the approach you set out in your letter.

After the local government elections, we will forward our letter to the chair of the Governance and Audit Committee (GAC) as we feel it is important that members are aware of our concerns and the journey of those concerns, so that they can take ownership in driving the Council's application of the sustainable development principle and helping to ensure that this is the case across the organisation. We assume you may also want to update GAC members on your response as per your letter of 7 February.

When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 (the Act), we recognised that it would take time for public bodies to embed the sustainable development principle. We were also clear that, as public bodies necessarily develop their knowledge and expertise in applying the Act over time, our audit approach would adapt to reflect that. It is now approaching seven years since the Act was passed and we are in its second reporting period. At this point, it is reasonable to expect public bodies to be able to demonstrate that the Act is integral to their thinking and shaping what they do.

Both the report to Cabinet of 21 June 2021 relating to the extension of the leisure contract and the Council's response of 22 October 2021 to our queries about the leisure contract extension raised concerns for us as to whether and how the Council applied the sustainable development principle as part of the leisure management contract extension. In this instance, the Council had not shown that it fully understood the sustainable development principle or had properly sought to apply it.

This was particularly concerning given that the Council had agreed the proposals for improvement in our Review of out-sourced leisure services report (November 2020) and we had had a number of meetings to discuss our findings at that time. We recognised and took into account in that report, that the original leisure contract awarded in 2012 was tendered before the Act came into force. That wasn't the case with the leisure contract renewal in 2021. The Council is required to act in accordance with the sustainable development principle when taking steps to deliver its well-being objectives.

We know that our November 2020 report had previously been considered by members but were surprised that the Cabinet report of 21 June 2021 did not refer to it at all so that members could take our findings into consideration in their deliberations.

With regard to procurement, the Council may find it helpful to draw on the Future Generations Commissioner for Wales' February 2021 report, Procuring Well-being in Wales, which sets out why and how public bodies should use procurement as a key means of meeting their obligations under the Act.

To recap, the overall finding in our November 2020 report was 'The Council is receiving an income from its leisure contract with Legacy Leisure, but needs to assure itself that the contract is providing value for money, and strengthen its application of the sustainable development principle when it extends the contract'. We found that 'there is significant scope for the Council to apply the sustainable development principle and focus on delivery of its well-being objectives through its contract with Legacy Leisure'.

The first proposal for improvement in our report was:

The Council should strengthen its application of the sustainable development principle through the services delivered by Legacy Leisure, including by:

- adopting a more strategic approach to collaboration for Legacy Leisure and other leisure services at a local and regional level;

- further integrating the planning and delivery of Legacy Leisure services with other public bodies and Council services, such as Education and Social Care; and
- involving citizens and service users in the development and delivery of Legacy Leisure services to ensure they represent the needs of the community.

The evidence from the Cabinet report of 21 June 2021 and the Council's response to us of 22 October 2021 suggested that the Council hadn't addressed our overall findings and proposal for improvement.

Our proposal for improvement specifically focused on collaboration, involvement and integration, but the Cabinet report and the Council's response of 22 October 2021 suggests that the Council does not fully understand the definitions of the five ways of working. For example:

Involvement: We note the Council's Corporate Plan 2020-2025 has an aspiration to 'Promote leisure, art and cultural activities which meet a diverse range of needs'. The Cabinet report states 'Involvement: Legacy Leisure have trailed many of the planned facilities at other sites and have based their suggestions for investment on experiences at other sites'. However, involvement under the Act is about the importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population. The Council's response of 22 October 2021 in the main refers to engagement / communication with customers. It is not clear how this activity relates to 'involving' those who have an interest in delivering the well-being goals for Wales and, therefore, the Council's well-being objectives. Involvement should be aimed at understanding how leisure services might contribute to the achievement of the Council's well-being objectives and more specifically as part of the 'steps' the Council is taking. For example, what do people want and need to help them be healthy and active and how can the leisure offer be designed to reflect that, rather than just understanding which leisure centre classes/activities are more popular / will generate the most income, although we recognise that this sort of engagement is an important part of ensuring services are sustainable.

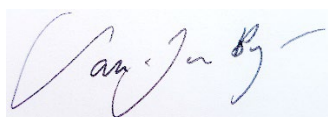
Integration: The Council's response of 22 October 2021 appears to refer to integration as meaning bringing the outsourced and in-house aspects of the service together. The Act sets out that public bodies need to take an integrated approach 'by considering how: (i) the body's well-being objectives may impact upon each of the well-being goals; (ii) the body's well-being objectives impact upon each other or upon other public bodies' objectives, in particular where steps taken by the body may contribute to meeting one objective but may be detrimental to meeting another'. It was not evident that the Council had met either of these requirements.

Collaboration: From the Cabinet report of 21 June 2021, and the Council response of 22 October 2021, it was not clear how the Council is considering if / how it could collaborate in delivering its leisure service, or how the Council is responding to the proposal for improvement in our November 2020 report regarding ‘adopting a more strategic approach to collaboration for Legacy Leisure and other leisure services at a local and regional level’.

Further detail on how the Council applied the sustainable development principle overall in its outsourced leisure services can be found in our November 2020 report.

In summary, given the contract’s relevance to the Council’s well-being objectives, the Council should have considered the sustainable development principle when extending the Leisure contract and missed the opportunity to explore what additional benefits that might bring. However, we have taken considerable reassurance from your letter of 7 February 2022 and the actions the Council has already taken since we first discussed our concerns with you, and those that the Council proposes to take. We will continue to monitor developments and will be keen to see going forward that the understanding of the sustainable development principle demonstrated in your letter of 7 February 2022 is mirrored across the Council. The extent to which councils are applying the sustainable development principle is a key part of our audit work and we will continue to explore the application of the sustainable development principle in future projects.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Sara-Jane Byrne', is written over a light blue rectangular background.

Sara-Jane Byrne

Audit Manager



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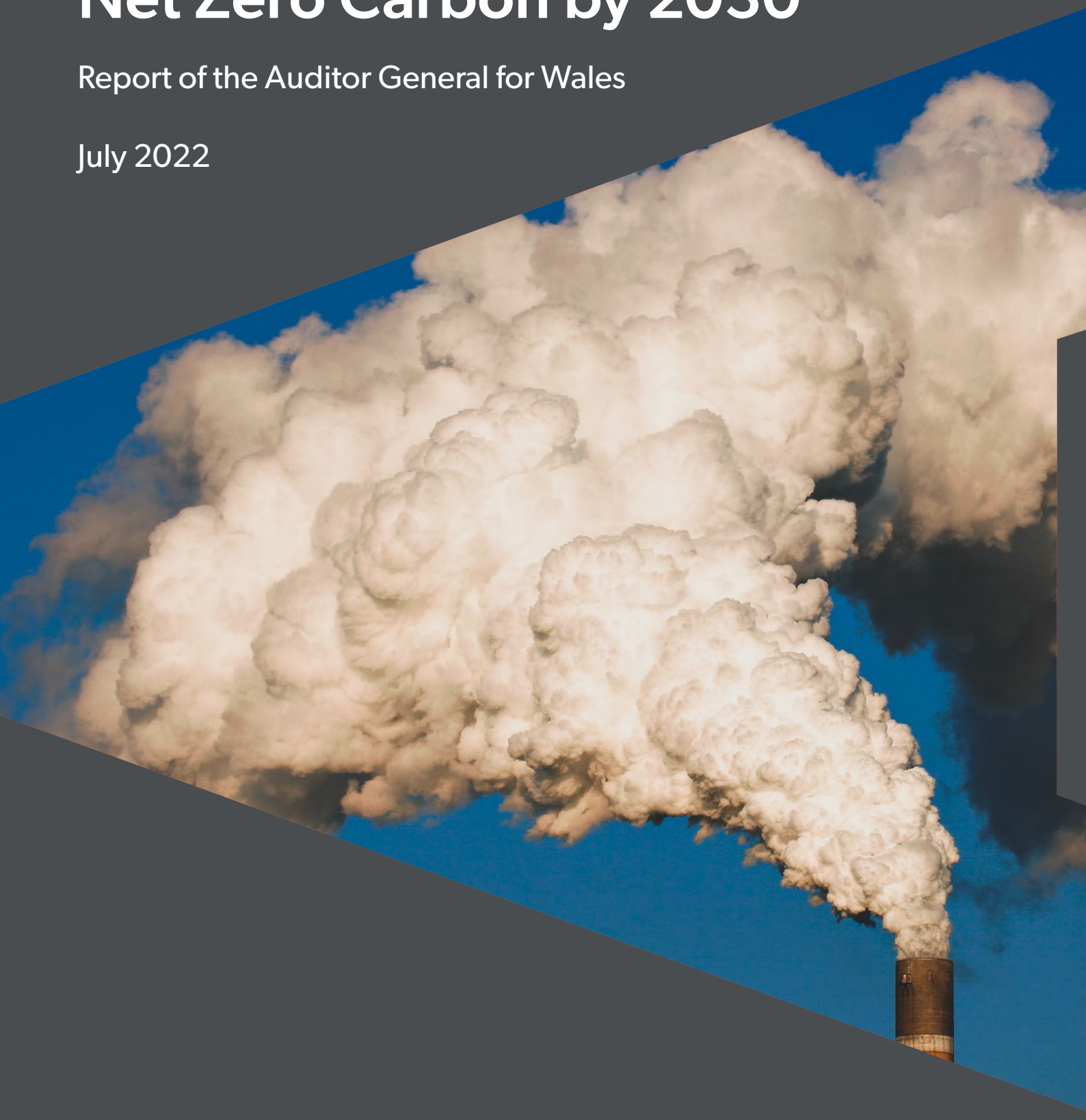
Website: www.audit.wales

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

Public Sector Readiness for Net Zero Carbon by 2030

Report of the Auditor General for Wales

July 2022



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Exhibit 2 of this report was amended on 9 August 2022 to correct a minor error.

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Detailed report

Background

- 1 Climate change is one of the world's defining challenges and it requires immediate action from everyone. A landmark [report](#) by the United Nations in August 2021 said that human activity is changing our climate in unprecedented ways and that drastic reductions in carbon emissions are necessary.
- 2 The latest climate projections for Wales show an increased chance of milder, wetter winters and hotter, drier summers, rising sea levels and an increase in the frequency and intensity of extreme weather events. The implications are clearly stark.
- 3 A crucial way to mitigate the impacts of climate change is to reduce carbon emissions. In March 2021, following advice from the Climate Change Committee¹ in December 2020, the Welsh Government set new [targets](#) for a 63% carbon reduction by 2030, an 89% reduction by 2040, and a 100% reduction by 2050². In addition, the Welsh Government set out a more challenging collective ambition for the Welsh public sector³ to achieve net zero carbon by 2030 (the 2030 collective ambition).
- 4 In June 2021, the Welsh Government published its [Programme for Government 2021-2026](#) which puts tackling the climate and nature emergencies at the heart of the new government. The Programme for Government also makes a series of commitments to embed a response to climate change in everything the Welsh Government does.

1 The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Its role is to advise the UK governments on emissions targets and to report on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change.

2 Net zero does not mean eliminating greenhouse gas emissions but balancing the greenhouse gas emissions with the amount of gases being removed from the atmosphere.

3 The Welsh Government's definition of the 'public sector' in this case covers 65 bodies as set out in Appendix 2 of the [Welsh Government, Public sector net zero data: baseline and recommendations, June 2022](#).

- 5 The Welsh Government has also published Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector (the public sector route map) to support the Welsh public sector in achieving the 2030 collective ambition. Alongside the public sector route map, the Welsh Government published the net zero reporting guide and associated spreadsheet to allow the public sector to capture and report emissions on a consistent basis.
- 6 The Auditor General has committed to carrying out a long-term programme of work on climate change. Our first piece of work is a baseline review that asks: '**How is the public sector preparing to achieve the Welsh Government's collective ambition for a net zero public sector by 2030?**'. To inform the baseline review, 48 public bodies, including the Welsh Government, completed a call for evidence. **Appendix 1** explains our audit approach and methods.
- 7 We are publishing two reports to share our findings:
 - **this key findings report:** this report targets senior leaders and those with scrutiny roles in public bodies, with the aim of inspiring them to increase the pace of their work on achieving the 2030 collective ambition. We have included questions at the end of each section of this report for organisations to reflect on. While these questions are not exhaustive, they provide important pointers for organisations to consider.
 - **evidence report – to follow:** a report that will provide more detailed findings and data from the call for evidence and our wider work.

Overall conclusion

- 8 There is clear uncertainty about whether the public sector will meet its 2030 collective ambition. Our work identifies significant, common barriers to progress that public bodies must collectively address to meet the ambition of a net zero public sector by 2030. And while public bodies are demonstrating commitment to carbon reduction, they must now significantly ramp up their activities, increase collaboration and place decarbonisation at the heart of their day-to-day operations and decisions. Organisations need to be bold and innovative and share experiences of their successes and failures. The Auditor General will not criticise organisations for taking well-managed risks to address this unprecedented challenge.
- 9 We have set out five calls for action for organisations to tackle the common barriers to decarbonisation in the public sector. These are:



- 1 Strengthen your leadership and demonstrate your collective responsibility through effective collaboration



- 2 Clarify your strategic direction and increase your pace of implementation



- 3 Get to grips with the finances you need



- 4 Know your skills gaps and increase your capacity



- 5 Improve data quality and monitoring to support your decision making

- 10 We are not making specific recommendations given the high-level nature of our review. However, we encourage public bodies to consider the messages in this report, and through their internal governance structures, set out publicly how they intend to respond to the calls for action.

Calls for action



Strengthen your leadership and demonstrate your collective responsibility through effective collaboration

- 11 The Welsh Government showed leadership when it declared a climate emergency in 2019. Many of the other public bodies have followed suit, for example, 18 out of 22 Welsh councils have now declared a climate emergency.
- 12 The Welsh Government also demonstrated leadership when it set the 2030 collective ambition and in May 2021 when it established a new Ministerial portfolio for climate change. A related change to the Welsh Government's organisational structure came into effect from 1 April 2022.
- 13 We have found considerable activity by public bodies, supporting the move towards decarbonisation. So, public bodies are clearly taking this agenda seriously.
- 14 Despite this, they must do more because there is considerable uncertainty (and clear doubt from some organisations) about whether the 2030 collective ambition will be met. In the NHS, we found uncertainty that even a 34% reduction in emissions would be achieved across that sector⁴. Bodies told us about significant barriers to progress in decarbonising, such as difficulties in translating strategy into action, uncertainty about finances, a lack of skills and capacity, and issues with decarbonisation data. These matters are discussed throughout this report.
- 15 Now is the time for bold leadership. Public bodies must reduce carbon emissions from their estates, from their services, and from the goods and services they procure. On top of that, they must adopt a wider leadership role in championing the decarbonisation agenda in all sectors within the communities they serve to work towards a 'just transition'⁵.
- 16 Public bodies will need to demonstrate stronger collective leadership because collaboration between organisations will be critical to achieving the 2030 collective ambition. Some respondents told us that a wholesale change of thinking is required, with a more co-ordinated and joined-up approach across the public sector.

4 The NHS Wales Decarbonisation Strategic Delivery Plan sets out 46 initiatives that are estimated to reduce carbon emissions by 34% by 2030.

5 A 'just transition' means taking action on climate change and greening the economy in a way that is as fair and inclusive as possible to everyone concerned. Policy 1 in [Net Zero Wales Carbon Budget 2 \(2021-2025\)](#) sets out the Welsh Government's views on a just transition.

- 17 Several cross-organisational panels and programme boards already exist to collaborate on climate issues including decarbonisation. And while public bodies expressed largely positive views about the way they are collaborating, there was also recognition that these efforts need to be ramped up. There is a collective responsibility on the public sector to make existing structures work. Public bodies also need to consider what additional collaboration is needed within sectors and across the public sector.
- 18 Senior leaders must do more to demonstrate they fully grasp the urgency and scale of the challenge and clearly identify this as a top priority for their organisation if they are to achieve their ambitions. Decarbonisation (and wider climate risks) must be at the core of day-to-day business decisions and operations. This agenda must be integrated into all services and operations, so that decarbonisation is delivered alongside other outcomes.
- 19 The frameworks provided by the Well-being of Future Generations (Wales) Act 2015 (including public services boards and the setting of well-being objectives) can be used to help organisations decarbonise. Application of the sustainable development principle in key areas such as procurement, workforce planning and finance will also help delivery of the decarbonisation agenda.
- 20 Those charged with governance and scrutiny roles in individual organisations need to support the direction of travel while at the same time challenging whether enough is being done.

Questions that senior leaders and those who scrutinise them may want to ask

- Are we treating the climate crisis and the need to decarbonise as a real 'emergency'?
- Can we demonstrate that decarbonisation is at the core of day-to-day business decisions and operations?
- Is the urgency and scale of the challenge well communicated by senior leaders and understood throughout our organisation?
- Do we have specific and effective scrutiny and governance arrangements for managing the journey to net zero?
- Do we understand the main barriers to progress and how well are we collaborating to overcome them?

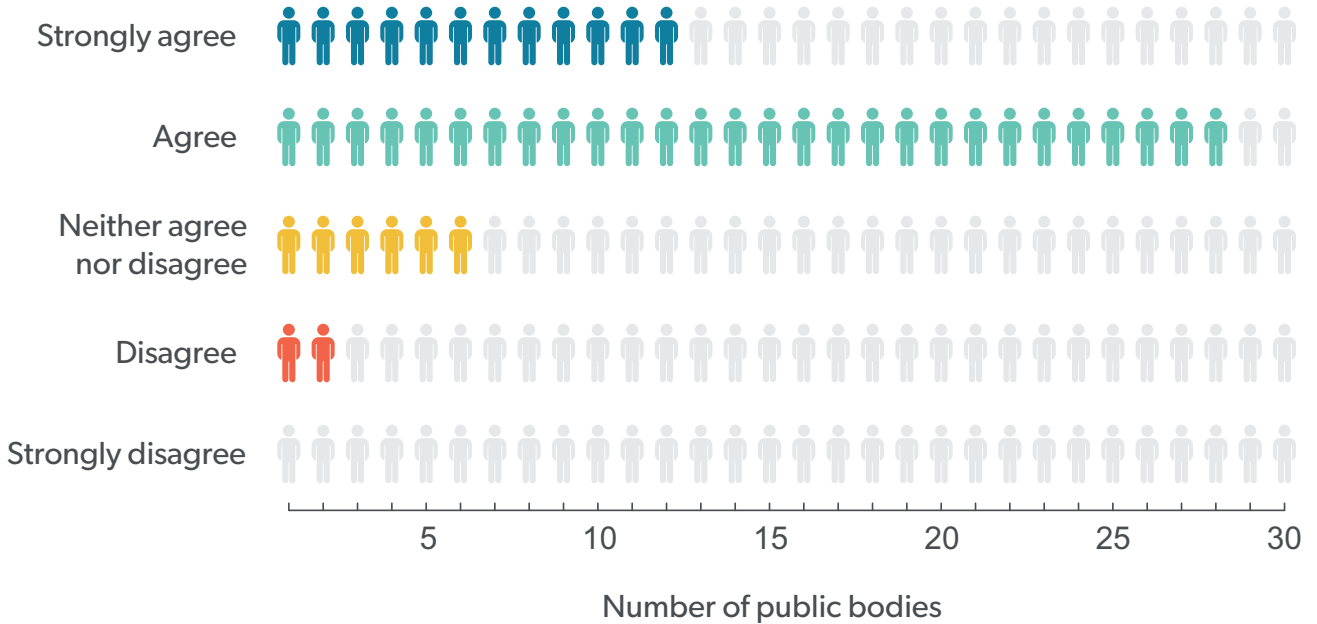




Clarify your strategic direction and increase your pace of implementation

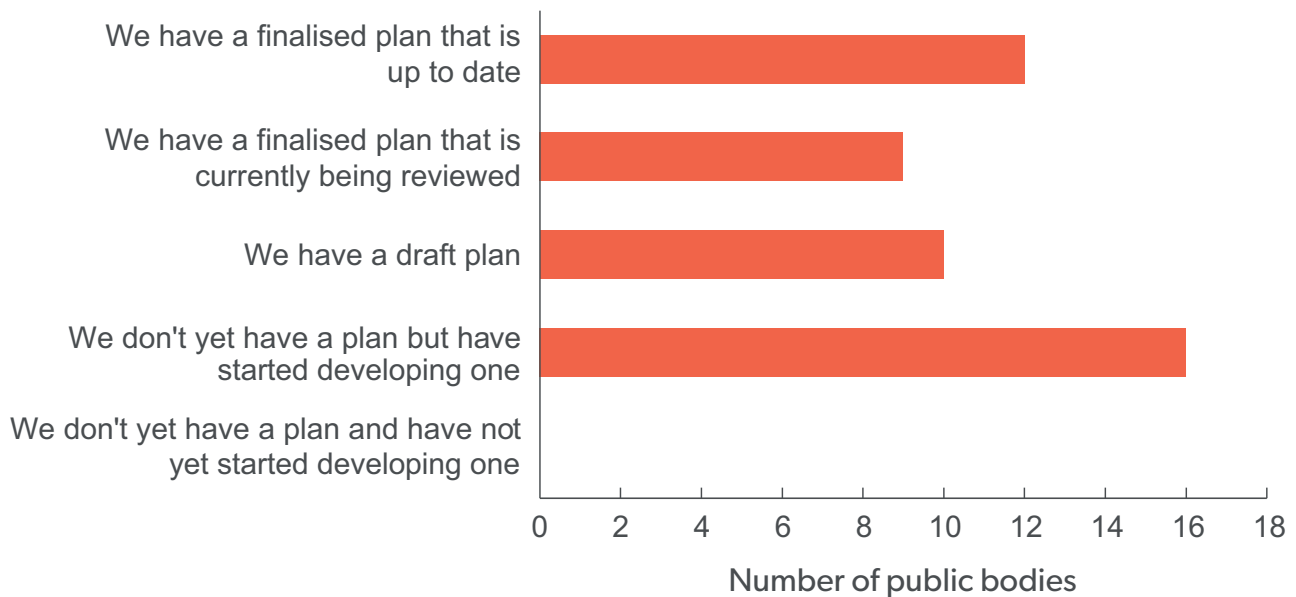
- 21 To deliver the 2030 collective ambition, it is essential that Wales has clear, joined-up, integrated strategies across the public sector. The action plans resulting from those strategies will also have to be implemented at pace.
- 22 In response to our call for evidence, public bodies were generally positive about the strategic direction set out by the Welsh Government and that it had been communicated well through the [public sector route map \(Appendix 3\)](#). In response to our question about the extent to which they were using the public sector route map, most public bodies said they were using it, to varying degrees, and only five said they were not.
- 23 Despite generally positive views about the national strategic direction, public bodies want more help to translate the strategy into action. Several organisations told us that while the public sector route map provides a high-level template, they need more clarity, support and guidance on how to decarbonise.
- 24 The Welsh Government told us that it deliberately designed the public sector route map to be a high-level framework to assist public bodies in developing local solutions based on individual circumstances, rather than a one-size-fits-all approach. The Welsh Government is providing other forms of central assistance on decarbonisation, including support through the [Welsh Government Energy Service](#), grant funding for various programmes and funding of the Welsh Local Government Association [transition and recovery support programme](#).
- 25 Some sector-specific guidance is available to support public bodies to translate the vision into action. For the NHS, the Carbon Trust and the NHS Wales Shared Services Partnership have set out more detailed actions in the [NHS Decarbonisation Strategic Delivery Plan](#). In local government, the Welsh Local Government Association is developing more tailored support and guidance for councils.
- 26 Overall, our work has shown that public bodies are at very different stages in setting out their action plans for decarbonisation. While **Exhibit 1** shows most public bodies feel they have set a clear strategic direction, **Exhibit 2** shows that just over a third of organisations did not have a decarbonisation plan at the time of our call for evidence. All organisations had at least started to develop their plan, and under Welsh Government policy they have until April 2023 to develop one.

Exhibit 1: public bodies' responses to the statement, 'Our organisation has set a clear strategic direction to support the achievement of the 2030 carbon reduction targets'



Source: Audit Wales call for evidence

Exhibit 2: status of public bodies' action plans



Note: One public body did not respond to this question.

Source: Audit Wales call for evidence

- 27 The public sector route map sets out milestones for 2021-22, during which the Welsh Government expects the public sector to be 'moving up a gear'. The Welsh Government considers there has been good progress and the public sector is picking up the pace. However, the Welsh Government recognises there is still significant work to be done and to date, the public sector has not fully achieved the 'moving up a gear' milestones.

Questions that senior leaders and those who scrutinise them may want to ask

- Have we set out a clear strategic approach and action plan for decarbonisation? If not, why not?
- Have we given due consideration to recommendations from the Future Generations Commissioner on decarbonisation, including those within the Future Generations Report 2020⁶?
- Are we involving our staff, stakeholders and citizens in the development and delivery of our strategic approach?
- Have we collaborated with others to develop our overall approach?
- How will our approach to decarbonisation help us deliver against other strategic objectives (including well-being objectives) as well as meeting the 2030 collective ambition?
- Do our other corporate strategies, policies and operations reflect the strategic approach we have set out for decarbonisation?
- Does our action plan set out clear milestones that align with the 2030 collective ambition and is it being implemented at sufficient pace?



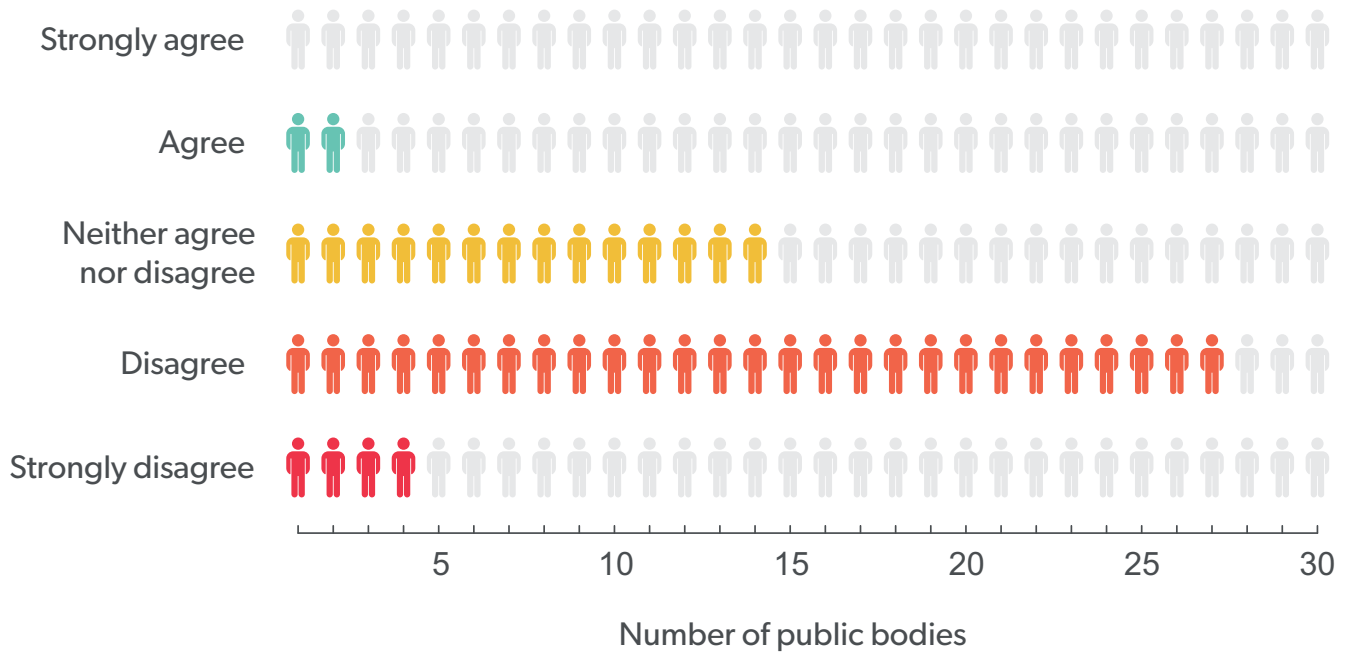
6 [The Future Generations Commissioner for Wales, Future Generations Report 2020, May 2020.](#)



Get to grips with the finances you need

- 28 Public bodies need to plan their finances in such a way that they can deliver their decarbonisation strategies and action plans. This will require long-term planning because decarbonisation will need investment for many years. It will also require immediate expenditure because if the 2030 collective ambition is to be met, urgent action is essential.
- 29 Public bodies recognised that significant investment in decarbonisation will be required, particularly for upfront infrastructure costs. But they were uncertain about where the funding for this investment would come from. The Welsh Government is providing funding to public bodies in various ways, but it has said it cannot fund everything. Public bodies will therefore need to think carefully about how they can use their existing funding in different ways, explore potential additional funding opportunities and consider how they might share costs with partner organisations.
- 30 Overall, public bodies told us that finances are a significant barrier to achieving the 2030 collective ambition. This is because of uncertainty in relation to the long-term additional funding they will have available to them, and about difficulties in getting to grips with the costs of decarbonising. **Exhibit 3** shows that most public bodies have not fully assessed the financial implications of the 2030 collective ambition. In some cases, this is because they have not yet set out a clear set of actions and activities to achieve net zero.

Exhibit 3: public bodies' responses to the statement, 'Our organisation has fully assessed the financial implications of meeting the 2030 carbon reduction targets'



Note: One public body did not respond to this question.

Source: Audit Wales call for evidence

Questions that senior leaders and those who scrutinise them may want to ask

- Do we know what we are currently spending on activities to help meet the 2030 collective ambition?
- Do we know how much we would need to spend to help achieve the 2030 collective ambition?
- How are we deciding how much to spend on decarbonisation?
- If we have not yet assessed the financial implications of the 2030 collective ambition, do we understand why we have been unable to?
- What are we doing to collaborate with others, to understand the financial implications, and to share costs?
- Do our budgets and expenditure reflect the need to reduce carbon emissions urgently?
- Are we setting out a good level of detail in our financial statements in relation to decarbonisation spending?
(See [our blog](#) on this matter).





Know your skills gaps and increase your capacity

- 31 Within public bodies it is everyone's responsibility to take action towards the 2030 collective ambition. Delivering that ambition will require public bodies to have staff in place with some specialist expertise. Our work found enthusiasm to deliver, but we also found widespread capacity issues and skills gaps. Skills gaps in relation to decarbonisation are not unique and are symptomatic of a wider challenge across the public sector. For example, in our [Picture of Public Services 2021](#) report, we highlight that staffing numbers have fallen and skills deficits have emerged.
- 32 Public bodies told us their resources are stretched in delivering their core services, and they are lacking specialist skills in carbon reduction and in monitoring carbon emissions. In addition, the complex nature of the field means that bodies are competing for limited expertise and knowledge.
- 33 Public bodies need to understand the staff capacity and skills they have in place through robust workforce planning. Training will play a crucial role in ensuring staff understand their decarbonisation responsibilities and are best equipped to deal with the task at hand. There is also an opportunity to share the knowledge, expertise and capacity that exists within the public sector as well as the private and third sectors.

Questions that senior leaders and those who scrutinise them may want to ask

- Do we know what skills are needed, both now and in the future, to ensure we can deliver against the 2030 collective ambition?
- Do we have a plan in place to deal with any identified skills and capacity gaps through training, recruitment or working with peers and stakeholders to share resources and expertise?





Improve data quality and monitoring to support your decision making

- 34 Public bodies need to understand where their emissions are coming from so they can check if they are making progress. We found that data issues are a major barrier to having a shared understanding of the problem and to taking strategic decisions about the solutions.
- 35 Carbon emissions monitoring and reporting is a complex and rapidly developing area worldwide. The Welsh Government has published a common reporting methodology for public bodies to report their emissions through the [Welsh Public Sector Net Zero Reporting Guide](#) and the net zero reporting spreadsheet. In doing so, the Welsh Government is trying new ways of improving emissions data. Welsh public bodies responded by putting new arrangements in place and by submitting their first set of annual data in October 2021.
- 36 The Welsh Government commissioned independent consultants, to review the first submission of emissions data from public bodies and in June 2022, the Welsh Government published the consultancy report in full. The report⁷ provides the first estimate of the full range of emissions by the public sector in delivering services for the people of Wales. The report states that the figures include significant uncertainty, particularly in relation to supply chain emissions, and that the data has not been thoroughly audited. The figures suggest emissions across Wales for the public sector reduced by 5% between 2019-20 and 2020-21.
- 37 In response to our call for evidence, public bodies recognised the usefulness of having a common reporting methodology. However, some responses pointed to concerns over some calculation methods, particularly regarding supply chain and land use, and called for further clarity of definitions to ensure consistent interpretation and reporting. Some responses also noted that existing systems were not able to capture the required data, and had to be updated, or new systems had to be put into place. This was often time consuming and resource intensive. NHS bodies also raised concerns about duplication with existing reporting arrangements on carbon emissions.

7 [See Footnote 3.](#)

- 38 It is important to get the data right because this information will underpin decision making and monitoring of progress for decades to come. However, we acknowledge this is the first year of the new arrangements to report a complex issue and the Welsh Government is committed to developing the guidance further to address the issues identified in the consultancy report (**paragraph 36**) and to reflect wider feedback. The Welsh Government published revised [reporting guidance](#) in July 2022. We also acknowledge that while there are concerns about supply chain data, the requirement to report this data reinforces the findings from previous studies that show the importance of reducing emissions from procurement and the supply chain⁸.

Questions that senior leaders and those who scrutinise them may want to ask

- Are we playing our part in building a system that will provide consistent, accurate, high-quality data on carbon emissions across the public sector to support transparency and scrutiny?
- Do we know what the existing data is telling us and what further data do we need to support decision making?
- Based on our understanding of our own data, do we have plans in place to take appropriate action?
- How can we improve our understanding of emissions resulting from our supply chain and relevant third parties?



8 [Welsh Government, A route map for decarbonisation across the Welsh public sector \(Appendix A\), May 2021.](#)



Appendices

- 1 Audit approach and methods**
- 2 Legislative and policy framework underpinning decarbonisation**
- 3 The public sector route map and reporting guide**

1 Audit approach and methods

In November 2021, we issued a call for evidence to 48 public bodies, asking questions about their baseline position in achieving the 2030 collective ambition. Most public bodies responded in the period December 2021 to January 2022. We sent the call for evidence to the bodies covered by the [Well-being of Future Generations \(Wales\) Act 2015](#) at the time. This included all principal councils, fire and rescue authorities, national park authorities, health boards and NHS trusts, and the larger Welsh Government sponsored bodies.

We also sent the call for evidence to the Welsh Ambulance Services NHS Trust, Digital Health and Care Wales, and Health Education and Improvement Wales to ensure we had a more complete picture across the NHS. We also sent the call for evidence to NHS Wales Shared Services Partnership (NWSSP), which is an independent mutual organisation, owned and directed by NHS Wales, that delivers a range of services for and on behalf of NHS Wales. NWSSP is hosted by and operates under the legal framework of Velindre University NHS Trust, which is itself covered by the Well-being of Future Generations (Wales) Act 2015.

We received responses from all bodies that were sent the call for evidence, although in a small number of instances not all questions were answered. Where questions were not answered by all public bodies, this is set out in a note to each relevant graph.

To inform our work, we held discussions with relevant stakeholders including the Welsh Government, the Office of the Future Generations Commissioner for Wales, representatives of NHS Wales and the Welsh Local Government Association. We also reviewed key documents, including policies and guidance, and other relevant information provided to us by the Welsh Government and other stakeholders.

We did not undertake a detailed review at each of the public bodies. While we have largely relied on what they reported through their call for evidence responses and any supporting documentation, we have also sought to triangulate our findings through discussions with stakeholders and evidence from our wider document and data review. We also shared and discussed our emerging findings at a public webinar held in May 2022. 109 people from outside Audit Wales attended the webinar, representing a range of public, private and third sector organisations.

As stated earlier in this report, the Auditor General for Wales has committed to a long-term programme of work on climate change. We have already reported on the decarbonisation efforts of fire and rescue authorities, we have begun to review council decarbonisation action plans and we are preparing a report on flood risk management. Following a recent consultation on our future work programme, we are considering our next steps in relation to auditing actions to decarbonise and to adapt to the changes already happening to our climate.

2 Legislative and policy framework underpinning decarbonisation

The graphic below sets out the key legislation, policies and guidance related to decarbonisation and climate change that apply across the Welsh public sector. We refer to sector-specific legislation and policies in the main body of this report where relevant.



April 2016

The Well-being of Future Generations (Wales) Act 2015 came into force and required public bodies covered by the Act to act in accordance with the sustainable development principle. The five ways of working set out in the Act aim to help bodies work together better, avoid repeating past mistakes and tackle long-term challenges.

March 2019

The Welsh Government published the first statutory Low Carbon Delivery Plan, Prosperity for All: A Low Carbon Wales (LCDP1).

November 2019

The Welsh Government published Prosperity for All: A Climate Conscious Wales, its most recent climate adaptation plan.



March 2016

The Environment (Wales) Act 2016 came into force and placed a duty on Welsh Ministers to set targets for reducing greenhouse gas emissions and to set carbon budgets.

July 2017

The Welsh Government set an ambition of achieving a carbon neutral public sector by 2030.

April 2019

The Welsh Government made a Climate Emergency Declaration.



March 2021

Following advice from the Climate Change Committee in December 2020, the Welsh Government set new legal targets for a 63% carbon reduction by 2030, 89% by 2040, and 100% by 2050.

May 2021

The Welsh Government published the [Welsh public sector net zero reporting guide and the net zero carbon reporting spreadsheet](#). **Appendix 3** provides further detail.



June 2021

The Welsh Government published its [Programme for Government 2021-2026](#) which puts tackling the climate and nature emergencies at the heart of the new government and makes a series of commitments to embed climate change in a number of ways.

July 2021

The Welsh Government published [Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector](#). **Appendix 3** provides further detail.



October 2021

The Welsh Government published [Net Zero Wales Carbon Budget 2 \(2021 to 2025\)](#). This sets out specific policies for the public sector, including a target for decarbonisation plans to be in place by March 2023, targets relating to buildings, vehicles and procurement, and development of a new health and social care decarbonisation plan.

July 2022

The Welsh Government published updated versions of the [Welsh public sector net zero reporting guide](#) and the net zero carbon reporting spreadsheet.

3 The public sector route map and reporting guide

To support the public sector to achieve net zero, the Welsh Government published its [public sector route map](#) in July 2021. The route map sets out four priority areas for action: buildings, mobility and transport, procurement, and land use. It also sets out key milestones for the public sector to achieve, which are:



2021-
2022

Moving up a gear: Where understanding the context and what needs to be done is vital, and where action needs to accelerate.



2022-
2026

Well on our way: Where there is an expectation that low carbon is becoming the norm and the public sector is definitely on the way to net zero.



2026-
2030

Achieving our goal: Where choosing zero carbon has become routine, culturally embedded, and self-regulating.

In May 2021, the Welsh Government published the [Welsh Public Sector Net Zero Carbon Reporting Guide](#). The aim of the guide is to develop a universal set of instructions for use by public bodies to assist in meeting the 2030 collective ambition, in particular to:

- **Baseline:** To understand the current situation and quantify organisational emissions and removals for a consistently drawn boundary. And to quantify the likely emission gap to carbon neutral operations by 2030.
- **Identify mitigation potential:** An assessment to identify significant sources of emissions enabling organisations and the public sector to prioritise action needed to move to carbon neutral operations by 2030.
- **Monitor progress:** A need to gather, collate and analyse data to assess whether organisations are on track to achieving their goal of carbon neutrality by 2030.

Alongside the guide, the Welsh Government published the [Net zero carbon reporting spreadsheet](#) for use by public bodies to capture and report their emissions data in a consistent way. The Welsh Government asked public bodies to submit the first data by October 2021 for the 2020-21 financial year. The second submission is required by September 2022 for the 2021-22 financial year.

The guide states that public bodies should report actions to reduce emissions and move to carbon neutral operations by 2030, but the format and narrative of that reporting are not prescribed. The guide does suggest it could be in the form of an annual report on progress against a published action plan or a separate document. It also suggests that management information used in collating an emissions report will provide a good basis for the narrative report. As part of our work, we have not reviewed any narrative reports produced by public bodies, although **paragraphs 34-38** of this report comment on the challenges relating to the carbon emissions data and reporting. Following feedback from public bodies and a review of the first year's data submissions, the Welsh Government published revised reporting guidance in July 2022.



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