

Agenda – Public Accounts and Public Administration Committee

Meeting Venue:	For further information contact:
Video Conference via Zoom	Fay Bowen
Meeting date: 1 December 2021	Committee Clerk
Meeting time: 09.00	0300 200 6565
	SeneddPAPA@senedd.wales

(The Committee agreed on 17 November 2021, a motion under Standing Order 17.42 to resolve to exclude the public from Items 1 – 5 of this meeting)

- 1 Scrutiny of Accounts 2020–21 – Senedd Commission:
Consideration of draft report**
(09.00 – 09.45) (Pages 1 – 16)
- 2 Forward work programme: Spring 2022**
(09.45 – 10.30) (Pages 17 – 43)
- 3 Auditor General for Wales Report: Financial Sustainability of Local
Government and Local authority discretionary services**
(10.30 – 10.35) (Pages 44 – 96)
- 4 Auditor General for Wales Report: Taking Care of the Carers? How
NHS bodies supported staff wellbeing during the COVID–19
pandemic**
(10.35 – 10.40) (Pages 97 – 128)
- 5 Auditor General for Wales Report: Warm Homes Programme**
(10.40 – 10.50) (Pages 129 – 177)

(Break)

(10.50 – 11.00)



6 Introductions, apologies and substitutions

(11.00)

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

7 Papers to Note

(11.00 – 11.15)

7.1 Scrutiny of Accounts 2019–20 – Welsh Government: Response to the Report on the 2019–20 Scrutiny of Accounts

(Pages 178 – 189)

8 COVID–19 and its impact on matters relating to the Public Accounts and Public Administration Committee's remit: Evidence session with the Welsh Government on local government issues

(11.15 – 12.15)

(Pages 190 – 213)

Tracey Burke – Director General, Education and Public Services Group

Reg Kilpatrick – Director General, Covid Coordination

Judith Cole – Deputy Director, Local Government Finance Policy and Sustainability Division

Claire Germain – Deputy Director of Local Government: Performance & Partnerships

9 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(12.15)

Item 10

10 COVID–19 and its impact on matters relating to the Public Accounts and Public Administration Committee's remit: Consideration of evidence received

(12.15 – 12.30)

Document is Restricted

Document is Restricted

Agenda Item 3



Financial Sustainability of Local Government

COVID-19 Impact, Recovery and Future Challenges

September 2021

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

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Councils have received significant extra funding to deal with the pandemic, but the future sustainability of the sector remains challenging against a backdrop of other financial pressures.

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Background

Our work on local government financial sustainability during 2020-21

Over 2020-21 we looked at the financial sustainability of each of the 22 councils in Wales, including:

- the financial impact of the pandemic;
- financial strategies;
- reserves position;
- performance against budget; and
- savings delivery and liquidity (the extent to which current assets are able to cover debt).

This report highlights some key themes and findings from our work, some commentary on funding pressures, and some reflections on how councils' future financial sustainability could be strengthened.

Main report

The bigger picture – borrowing, spending, and demand pressures

Extra short-term funding has helped but longer-term challenges and uncertainties remain

- The UK and Welsh Governments put in place major funding streams and grants in response to the pandemic – but these spending patterns are unlikely to be sustained.
- Our Picture of Public Services report published in September 2021 set out further information and analysis of public sector spending and future projections.
- Local government has a key role in supporting and shaping recovery from the pandemic, both as a provider of a wide range of key local services, and also through its community leadership role, including working with a range of partners.

Local government financial sustainability – how the situation in Wales compares with England

- England – the National Audit Office found that the financial position of local government remains a cause for concern with the outlook looking uncertain, and noted the reliance of many councils on using reserves to balance their 2020-21 budgets¹.
- Wales – councils have not generally relied on their reserves to balance their 2020-21 budgets, largely due to the additional funding made available to them to mitigate the impact of the pandemic. But significant future challenges remain.

Exhibit 1: how councils’ usable financial reserves² had changed before the pandemic

All Wales total for unitary authorities, Total usable revenue reserves not protected by law

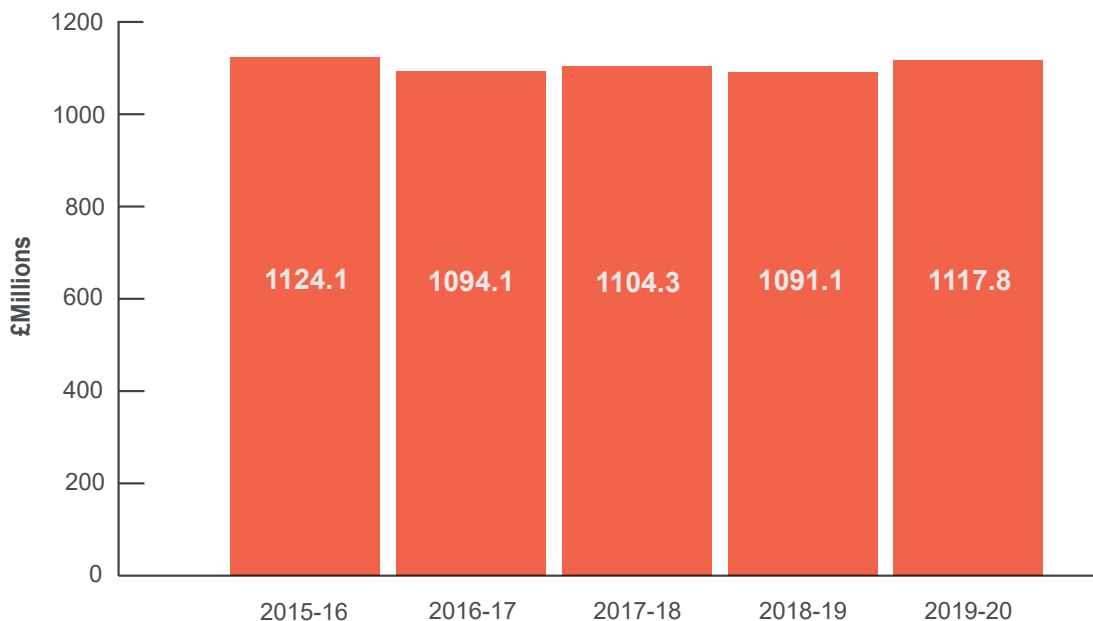
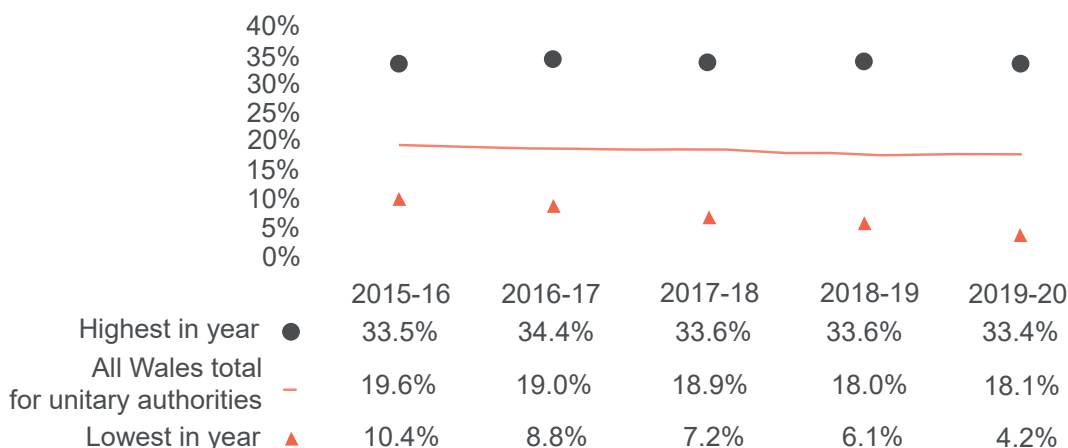


Exhibit 2: amount of usable reserves as a percentage of net cost of services over time

The following exhibit shows the average, highest and lowest values for the principal councils in Wales at the end of each financial year from 2015-16 to 2019-20.

Total Usable Reserves as a % of net cost of services



Lowest and highest refer to the value of an individual council in that particular year.

2 We define usable financial reserves as reserves usable for revenue costs, where the purpose is not protected by law. This is the total of the general fund, earmarked reserves and schools balances. It excludes Housing Revenue Account reserves, capital receipts and capital grants unapplied.

Public sector borrowing has increased during the pandemic and future funding levels are uncertain

- UK government borrowing has increased significantly during the pandemic³.
- Future funding levels remain uncertain, for example, in March 2021 Cardiff University described the outlook for the Welsh budget as ‘highly uncertain’⁴. The Chartered Institute of Public Finance & Accountancy (CIPFA) have also highlighted the uncertainty around public sector funding in the future.
- There is likely to be significant pressure on local government funding, in particular for those service areas that are not prioritised as part of future budget-setting⁵.

Demand for some services is likely to increase

- Our recent report on discretionary services⁶ highlights rising demand for some council services. The infographic on the following page, from that report, summaries some key demand pressures.
- Demand pressures from the pandemic will potentially continue, for example, for additional education provision to catch up on lost time during school closures. The longer-lasting implications of the pandemic on demand for local government services are as yet unknown.

Spending on discretionary local government services had already reduced before the pandemic

- Reductions in funding had already led to some service cuts before the pandemic⁷. Although the pandemic has raised the profile of local government services and in particular the role they play in helping to keep people safe and healthy.

3 CIPFA, [Local authorities face a financial reckoning](#), November 2020

4 Wales Fiscal Analysis, [Welsh Election 2021 Fiscal outlook and challenges for the next Welsh Government Welsh Election Briefing](#), April 2021

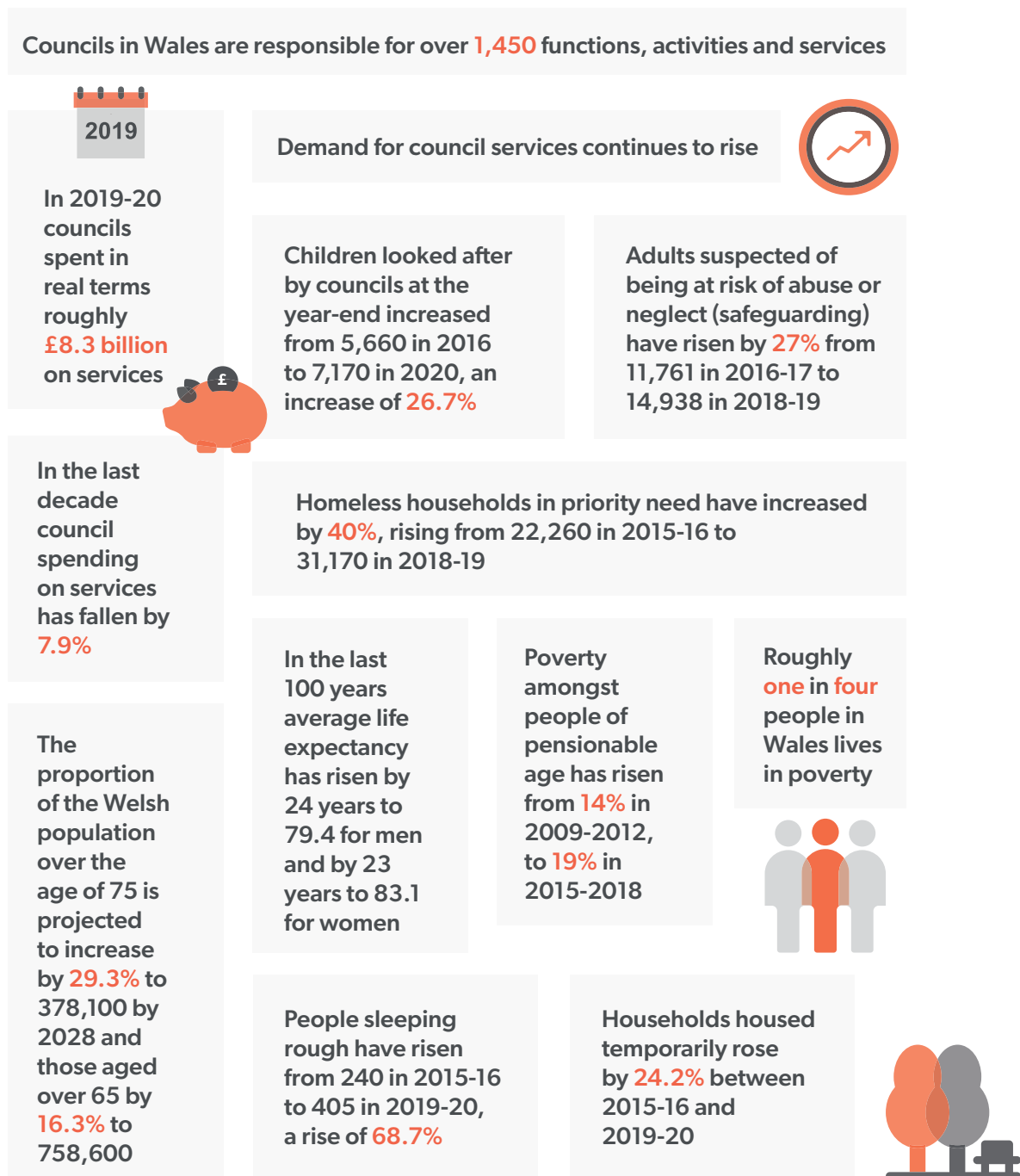
5 Wales Fiscal Analysis, [Local government finance: the state of play in 2021-22](#), March 2021

6 Audit Wales, [At your Discretion - Local Government Discretionary Services](#), April 2021

7 Audit Wales, [At your Discretion - Local Government Discretionary Services](#), April 2021

Exhibit 3: key facts about council services and demand⁸

The following exhibit shows some key facts about council services including some key demand pressures.



Note: The £8.3 billion figure for total council spending covers the total revenue spending on services and includes spending on some non-service areas such as repayment of borrowing, levies pensions and appropriations to reserves. The figure is net of income, such as charges and fees, generated by services. The gross expenditure on services in 2019-20 was £9.2 billion.

Financial sustainability – key findings from our work

Our findings from October 2020

- In October 2020, we said: ‘Councils and the Welsh Government have worked well together to mitigate the impact of the pandemic to date, but the future sustainability of the sector is an ongoing challenge.’ We also noted that ‘some Councils were better placed financially than others to deal with the financial challenges posed by the pandemic⁹.’

Overall findings from our work in 2020-21

- We found that Councils have received significant extra funding to deal with the pandemic, but the future sustainability of the local government sector remains challenging against a backdrop of other financial pressures.
- After publishing our national summary report in October 2020, we then looked at the financial sustainability of each principal council in Wales.
- We produced local reports for each council.
- Due to the extra funding councils have received in response to the pandemic, the financial position has improved for all 22 councils this year.
- But the overall picture of councils’ financial sustainability remains mixed, some councils are still better placed than others to respond to future challenges.
- The next section summaries the key themes we identified through this work, including where relevant from our October 2020 report as well as our previous work on financial sustainability.

9 Audit Wales, Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic, October 2020

Key themes from our 2020-21 work

The financial impact of COVID-19

- We said in October 2020 that some councils were better placed financially than others to respond to the challenges of the pandemic.
- So far, the costs of COVID-19 have been mitigated at each council by extra funding from the Welsh Government.

Exhibit 4: The cost of COVID-19 over 2020-21

The following exhibit sets out the extra funding provided to councils by Welsh Government over 2020-21 in response to the COVID-19 pandemic.

- £660 million additional funding allocated by the Welsh Government to the Hardship Fund to cover councils' lost income and extra expenditure¹⁰.
- Other funding from the Welsh Government such as extra funding for teachers for catch-up support from education and cleaning materials for schools.
- Personal protective equipment (PPE) has also been provided free of charge to most local government bodies by the Welsh Government through NHS Shared Services.



Source: Welsh Government

Financial strategies

- Several councils have only undertaken limited analysis of the longer-term impact of COVID-19 (even in respect of working assumptions or scenarios) or the longer-term impact of changes to demand.
- Most, but not all councils include some council tax assumptions for the next four or five years in their financial strategies. These range from predicted increases of between 3% and 5%.
- Most, but not all, financial strategies also include Aggregate External Funding (AEF)¹¹ assumptions that vary between 0% and 3%. A few councils plan on the basis of best-to-worst-case scenarios.
- Overall, most of our local reports reflect on the ongoing work needed to develop a more sustainable approach to financial planning in the medium to long term.

¹⁰ Although the Welsh Government allocated £660 million, by the end of the financial year it reports having spent £587 million.

¹¹ Aggregate External Funding data includes Revenue Support Grant from the Welsh Government and Non-Domestic Rates.

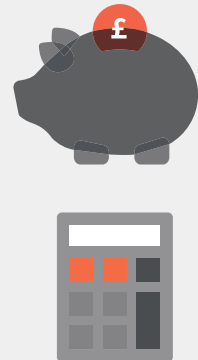
Reserves position

Exhibit 5: usable reserves – what we said in our October 2020 report¹²

The following exhibit summaries our key findings on councils' usable reserves¹³ position from our October 2020 report.

In October 2020 we reported:

- the usable reserves held by councils ranged from around £11 million to over £119 million.
- there was a wide range of usable reserves as a proportion of the net cost of services at each council: from 5% to 33%; and
- that Welsh councils in total held over £1 billion of usable reserves at the end of March 2020.



- Some councils have relatively high level of reserves that will support their ability to respond to challenges, and other councils have much lower levels of reserves, which will make meeting future challenges harder.
- After completing our local work we have also found that all councils increased the amount of reserves they held at the end of 2020-21. Councils have reported an increase of over £450 million in reserves during 2020-21. We will report further on this following our audit of 2020-21 accounts.
- Some councils have a good track record in recent years of avoiding using reserves to balance their budget.
- Some councils have relied on unplanned use of reserves to balance budgets. This approach is unlikely to be sustainable, particularly for those councils whose levels of usable reserves were already relatively low.
- A consistent pattern of using reserves, even in a planned way, to balance revenue expenditure is unlikely to be sustainable as it risks depleting reserves to unsustainable levels.

Performance against budget

- After large transfers to reserves, most councils reported either relatively small underspends or overspends overall in 2020-21, a similar pattern to the previous two financial years.

¹² Audit Wales, [Financial Sustainability of Local Government as a Result of the COVID-19 Pandemic, October 2020](#).

¹³ 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. This is the total of the general fund, earmarked reserves, and schools' balances. It excludes the HRA, Capital receipts and capital grants unapplied.

- Most councils also continued to show significant overspends in some service areas; in many councils, social services were an example of this.
- The pandemic, along with longer-term challenges, means that now more than ever, councils will need to manage budgets effectively and ensure that services or areas of consistent overspends are addressed.

Savings delivery

- Last year we found that most councils delivered the majority of their savings, but very few delivered all of their planned savings in previous years. We found the same pattern over 2020-21, as well as that some councils delivered all of their savings targets, although not as they had planned.
- Savings plans have understandably been affected by the pandemic. Changes in demand for services, workforce re-deployment and other action taken in response to the pandemic are all likely to have had an impact on the achievement of some savings.
- In a number of councils, service areas were still able to deliver their savings targets. Some service areas found it easier to deliver savings because of:
 - additional funding from the Welsh Government;
 - a reduced demand for services during the pandemic and/or;
 - reduced staff costs during the pandemic.
- Delivery of savings is likely to be even more challenging going forward given the scale of the projected funding gaps in some councils in future years, and that the above factors that helped some service areas to deliver savings over 2020-21 are unlikely to be recurring.
- Councils with robust and effective savings planning processes will be better placed to deliver on proposals and fulfil plans within the longer term.


Liquidity¹⁴


- Overall, most councils show a favourable and stable liquidity ratio (the ratio of current assets to its current liabilities) which suggests that those councils are in a good position to meet their current liabilities.
- A few councils show a relatively low liquidity ratio. In itself this is not a particular problem. But if levels of reserves are also relatively low and if savings are not being achieved, taken together this could indicate a lack of resilience.

Four steps to help improve councils' financial sustainability

Exhibit 6: four steps to help with councils' financial sustainability

Based on the findings from our local work, together with the themes and challenges reflected on in this paper, the exhibit below summarises some key steps setting out what councils can do to improve financial sustainability.

1	<p>Financial strategies</p> 	<p>Understand short, medium and long-term challenges and clearly set out the overall priorities for the council's finances</p> <ul style="list-style-type: none"> • The Chartered Institute of Public Finance & Accountancy (CIPFA) highlights the uncertainty around public sector funding in the future, urging councils to use a range of data and forecasting work as part of their financial planning over the medium term¹⁵. • A clear and robust financial strategy is important to identify the likely level of funding available to a council, as well as the anticipated level of demand for, and cost of, providing services. • Given the anticipated funding pressures facing all councils, it is important to identify how to respond to those future pressures, and particularly how they will meet projected funding gaps. • Now is more important than ever to have a robust financial strategy that builds a picture of the council's financial situation over the medium to long term including well-evidenced projections around future demand pressures. • Councils should ensure that members are aware of, and understand, where their council's assumptions originate and where the assumptions sit in relation to those made by other councils. • The pandemic has also shown the benefits of building flexibility into financial strategies, and planning for different scenarios. Councillors should be presented with clear choices based on comprehensive and robust information including: <ul style="list-style-type: none"> - the total levels of reserves available to use; - future funding pressures; and - a full range of planning assumptions.
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2	<p>Reserves</p> 	<p>Plan your approach to, and use of, reserves to ensure that it supports longer-term financial sustainability</p> <ul style="list-style-type: none"> • Healthy levels of usable reserves are an important safety net to support financial sustainability. • As well as being available to meet unexpected funding pressures, usable reserves can also be an important funding source to support ‘invest to save’ initiatives designed to reduce the ongoing cost of providing services or for transformation programmes. • Regularly reviewing the levels of reserves and considering if levels are appropriate will help to set priorities around use of reserves. • Councils should ensure that councillors understand the role of both usable and unusable reserves, and how these link to the overall and longer-term financial strategy for the Council.
3	<p>Performance against budget</p> 	<p>Know what’s realistic for services to achieve and then understand and act on areas of consistent overspends</p> <ul style="list-style-type: none"> • It is important that overspending and underspending are kept under control and that actual expenditure is as close to the levels planned as possible. • A council that is unable to accurately forecast and plan expenditure runs the risk of creating unforeseen financial pressures that may compromise the ability to set a balanced budget. • Significant patterns of underspending may be reducing the ability of a council to deliver its key objectives or meet its statutory responsibilities. • Seek to manage budgets effectively throughout the year, as opposed to one-off budget exercises.

4

Savings delivery
Understand what is realistic for services to deliver on savings or cost reductions and act on areas that do not consistently deliver planned savings

- The ability to identify areas where specific financial savings can be made, and to subsequently make those savings, is a key aspect of ensuring ongoing financial sustainability.
- Where savings plans are not delivered this can result in overspends that require the use of reserves whilst increasing the level of savings required in future years to compensate.
- Where savings plans are not delivered and service areas are required to make unplanned savings, this increases the risk either of savings not being aligned to the Council's priorities, or of 'short-term' solutions that are not sustainable over the medium term.
- Now is more important than ever to get savings plans right, ensure that plans are realistic, and developed in collaboration between councillors, executive management teams and services.

Audit Wales future work on councils' financial sustainability

- For 2021-22, we will continue to monitor the financial position of individual councils through our ongoing audit work.
- Following completion of our audits of 2020-21 accounts we will also publish a financial sustainability data tool, including data on councils' year-end position for 2020-21, and continue to update this annually.
- We may undertake further work at some councils where we identify specific risks.
- We will return to national work in future where we believe the situation merits it and where we could add value.
- We will also consider the possibility of comparing the financial position of local government bodies in Wales with those across the UK as well as potential national work in relation to specific themes.
- In undertaking any potential future work, we will continue to engage with the Society of Welsh Treasurers.



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At Your Discretion

Local Government Discretionary Services

April 2021



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Financial pressures led to councils reducing spend and cutting services, but the pandemic has highlighted the importance and relevance of local government in serving and protecting people and communities

- 1 Councils have a duty to provide a range of services to their communities. These include education services; children’s safeguarding and social care; adult social care; waste collection; planning and housing services; road maintenance; and library services. Councils also provide services at their discretion and can also decide the level at which these services are provided. For example, town centre Wi-Fi and renting bikes. However, in the last decade, councils have struggled to maintain their full range of services in the face of financial pressures. And austerity has required councils to take tough decisions on which services to safeguard and which ones to reduce, change or no longer provide.
- 2 Determining the relative importance and value of council services when deciding on where to make cuts is not easy. Often the debate starts with a focus on determining whether a service is ‘statutory’ or ‘discretionary’. But many council services cannot be easily defined in this way. For instance, councils provide a range of ‘discretionary’ services some of which are extensions of ‘statutory’ activity whilst other services have developed over time to become longstanding, highly valued and central to the work of the council.
- 3 Defining services as ‘statutory’ or ‘discretionary’ is therefore unhelpful as much of what a council provides is viewed by many – citizens we surveyed, staff of public service partners and stakeholders we interviewed – as ‘essential’. Services that:
 - keep people healthy, well and safe;
 - support businesses to flourish and thrive;
 - protect and enhance our environment; and
 - help people to learn, develop and improve.
- 4 Councils mostly have established processes to review and evaluate how to provide services with decisions on changes in provision, introduction of savings targets and options to outsource taken by cabinet or full council. However, the quality and depth of information that is presented to members is not always wide-ranging and sometimes lacks sufficient detail. For example, evaluating the impact of service changes on the Welsh language or on people with protected characteristics, clarifying the legal basis for a service or how it contributes to wider council responsibilities are not always captured.

- 5 Our analysis of financial data published by the Welsh Government shows that, overall, councils have sought to protect services that help the most vulnerable when setting budgets. Services that protect and safeguard adults and children and help keep vulnerable people safe. Similarly, activities focussed on the upkeep of the environment, whilst seeing spending falling in the last decade, have not been cut as deeply as others.
- 6 The services where the biggest reductions have been mostly felt are mostly 'pay as you use' leisure, recreation and cultural services or regulatory services like development control, building control and trading standards. Despite helping to protect us and enhance our wellbeing, these areas have generally borne the brunt of budget cuts.
- 7 Because some 'universal discretionary' services, which are available to everyone irrespective of need, are reducing or being stopped, there is a growing group of citizens and council taxpayers who do not directly receive, or feel they benefit from, the work of their council. This presents a real challenge for councils in the future – to remain relevant to all their citizens.
- 8 Overall, our survey found that people do not feel their council adequately involves them when identifying which services to change, reduce or stop. This is a missed opportunity for councils. Our research shows there is great potential for people to help their local council to provide services and, in some cases, to take over running services. If they want to realise this potential, councils must improve when and how they involve people when considering options and making decisions.
- 9 In spite of cutting back on what they provide, demand for 'essential' council services continues to rise. This is in part a natural outcome of a decade of financial constraints. But it is also a reflection of demographic change and councils having to increasingly help people with complex needs. The most deprived individuals and areas now have multiple and very complex needs and addressing these challenges is very difficult. There are no quick fixes or simple solutions. It requires councils to work in partnership with a wide range of public bodies to jointly deliver sustained and targeted action.
- 10 Despite prioritising services targeted at helping to protect the most vulnerable and pursuing new ways of working to reduce spend and grow capacity, councils are increasingly struggling to manage within available resources. Our research shows that councils will have to make some very difficult choices when setting budgets and determining which services to prioritise and protect over others in the next few years.

- 11 Added to this, councils have also been in the frontline responding to the pandemic. COVID-19 has fundamentally changed the communities in which we live, and work, and people's expectations of local government are similarly changing. Whilst the Welsh Government provided the national leadership in responding to COVID-19, at the local level it has been driven by councils. The pandemic required everyone to find new ways of working, coping and communicating, and it has been no different for councils. Local government has stepped up to ensure essential services continue to be provided and has identified new, often innovative, ways of helping businesses and keeping people safe. In many ways, COVID-19 has helped reinforce the importance, impact and flexibility of local government.
- 12 The Local Government and Elections (Wales) Act 2021 presents opportunities to refresh the role of local government through its reforms of electoral arrangements and public participation, and the introduction of a general power of competence. There are some good examples of how councils are taking this opportunity to reset their role, especially in England. A number have embarked on ambitious programmes of change taking bold decisions to address long standing problems.

Key Facts

Councils in Wales are responsible for over **1,450** functions, activities and services



In 2019-20 councils spent in real terms roughly **£8.3 billion** on services



Demand for council services continues to rise



Children looked after by councils at the year-end increased from 5,660 in 2016 to 7,170 in 2020, an increase of **26.7%**

Adults suspected of being at risk of abuse or neglect (safeguarding) have risen by **27%** from 11,761 in 2016-17 to 14,938 in 2018-19

In the last decade council spending on services has fallen by **7.9%**

Homeless households in priority need have increased by **40%**, rising from 22,260 in 2015-16 to 31,170 in 2018-19

The proportion of the Welsh population over the age of 75 is projected to increase by **29.3%** to 378,100 by 2028 and those aged over 65 by **16.3%** to 758,600

In the last 100 years average life expectancy has risen by 24 years to 79.4 for men and by 23 years to 83.1 for women

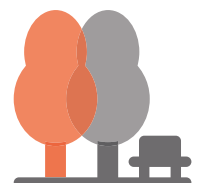
Poverty amongst people of pensionable age has risen from **14%** in 2009-2012, to **19%** in 2015-2018

Roughly **one in four** people in Wales lives in poverty



People sleeping rough have risen from 240 in 2015-16 to 405 in 2019-20, a rise of **68.7%**

Households housed temporarily rose by **24.2%** between 2015-16 and 2019-20



1 Defining whether a service is discretionary or statutory can be complicated and does not reflect the important work of councils

- 1.1 Councils are bound by many statutory duties. Their functions are set out in numerous Acts of Parliament and Acts of the Senedd. Many of these functions have associated legal duties, statutory guidance and codes of practice. A review of local government statutory duties in England by the UK government in 2011, found councils provide up to 1,439¹ functions, activities and services that are deemed both 'statutory' and 'non-statutory'².
- 1.2 The most frequently used definitions consider 'discretionary' services to be those that a council has the power, but is not obliged, to provide, and 'statutory' services as those a council must provide. Whilst these definitions appear at face value to be clear-cut, they oversimplify and mask some important issues.
- 1.3 As well as the legal requirements, defining the extent to which a service is statutory or discretionary is dependent on the choices made by each council about the level of services it wants to deliver, how it wants to provide these services and whether to charge. Whilst additions to statutory services are often above the level or standard that a council has a duty to provide, they can be large scale and well-established activities.
- 1.4 Consequently, people frequently regard some discretionary services as part of the mainstream activities of their council. They are seen as essential, not an add on or optional because they are available to all of us. These services may not have the same priority in corporate plans and often receive less protection from budget cuts, but they matter because they are services that we all receive. Because usage is not rationed on the basis of need, targeted at the most vulnerable or provided as a safety net', these services may represent the only regular and visible contact many people have with their council.

1 [gov.uk: Data Set on Statutory Duties Placed on Local Government](https://www.gov.uk/data-set-on-statutory-duties-placed-on-local-government)

2 No similar collation of the legal duties placed on Welsh councils that clearly defines, or helps explain, what constitutes a 'statutory' or discretionary service has been undertaken.

- 1.5 Having to provide a statutory service is also different to how and at what level you provide it, which can be at a council's discretion. For instance, whilst there is a statutory requirement for a council to have a Scrutiny function, the council has discretion over what level of function it provides for. Importantly, if a council does not perform certain functions, it may leave itself open to legal challenge – whether the function is laid down in statute or not. For example, Human Resources functions may not all be statutory activities, but their removal could have significant legal implications for a council.
- 1.6 Discretionary services can be critical to the delivery of statutory functions, and without them some statutory activity could be overwhelmed. For instance, leisure, sports and recreation services play an important role in reducing demand on health services. Aids and adaptations and the provision of community equipment help reduce demand on residential care.
- 1.7 Furthermore, there is a risk that solely using a legal framework to define local government's priorities diminishes local democratic choice and may reduce councils to simply becoming an administrative function on behalf of the Welsh and UK governments. Ensuring services reflect local priorities is essential, and a fundamental strength of the local democratic mandate. When a council makes a policy choice to provide a service to meet the needs of its citizens, it is not helpful to view it as an 'add on' or 'nice to have' – it is what the council has deemed as necessary to provide for people in that area to enhance their wellbeing.
- 1.8 Given the above, 'Statutory' (required by the law) and 'Discretionary' (choose to provide) are unhelpful in solely determining service priorities because separating them out in a meaningful way is impossible. Consequently, we believe that 'essential' may be a better way to define and estimate the value and priority of a service to a council's work –
Exhibit 1.

Exhibit 1 – councils provide essential services that help people, communities and businesses across Wales

Keep people healthy, well and safe

Help for homeless people; protecting children in need; stopping vulnerable adults from being abused; and providing environmental health services to manage and maintain hygiene, safety and food quality standards.



Support businesses to flourish and thrive

Tourism, events and activities; economic development programmes; provision of public transport; business loans, grants and support; and provision of buildings and workshops to trade and work from.



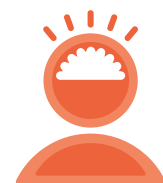
Protect and enhance our environment

Planning, development and building control; recycling and waste collection; schemes to improve and protect the environment and control pollution; provision of cycle ways and footpaths; and green energy grants and projects.



Help people to learn, develop and improve

Education services for children and adults; training schemes and apprenticeship programmes.



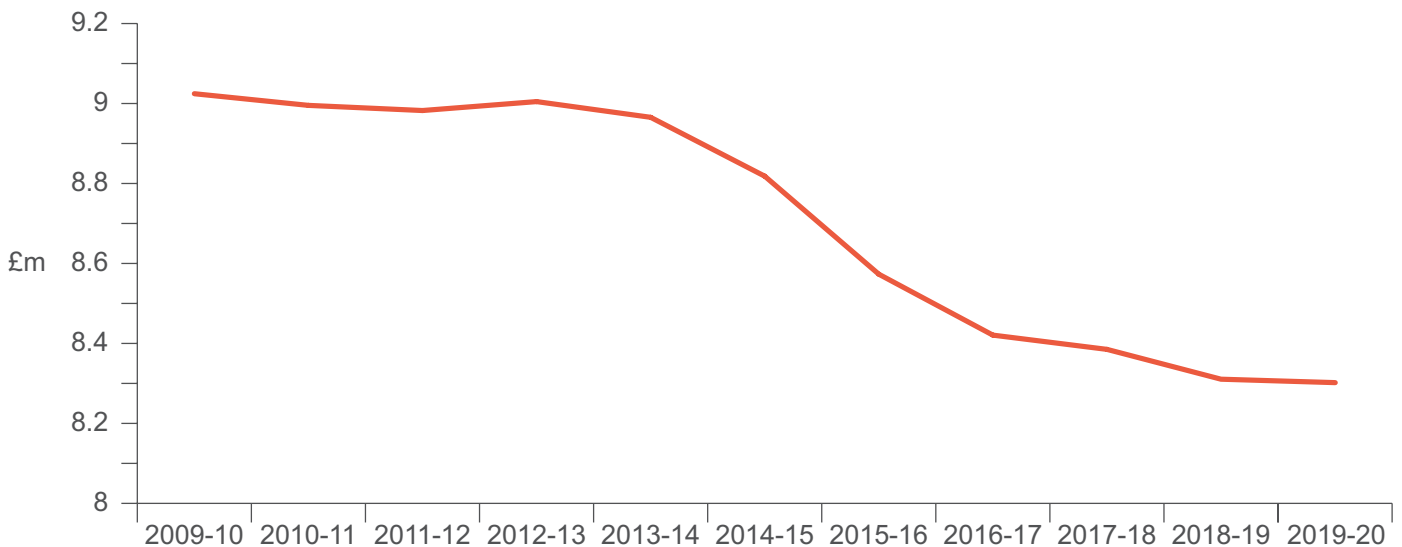
Source: Audit Wales

2 Despite providing essential services that people depend on, councils have had to make difficult choices on what to protect in responding to over a decade of austerity

2.1 Revenue outturn expenditure data summarises the breakdown of spending by services. The most recent data published by StatsWales is for 2019-20 and shows that, after adjusting for inflation, councils' gross revenue expenditure was roughly £8.3 billion on services³. Education and social care account for over half of all council expenditure. Since 2009-10, council spending in real terms has fallen by 7.9% – **Exhibit 2**.

Exhibit 2 – real-terms change in gross revenue expenditure by councils between 2009-10 and 2019-20

Council expenditure in real terms has fallen by £0.720 billion in the last ten years.



Source: StatsWales, Welsh Government, LGFS0016 (with the deflator effect calculated from the UK Government [Quarterly National Accounts](#) published in September 2020) and findings of the Audit Wales survey of citizens March 2020

3 Gross Revenue Expenditure is the total cost of providing services before deducting any income and represents total spending (ie from non-ring-fenced and ring-fenced funding sources) [statswales.gov.wales: catalogue of local government finance revenue outturn expenditure summary by service](https://statswales.gov.wales/catalogue-of-local-government-finance/revenue-outturn-expenditure-summary-by-service).

- 2.2 The Local Government Finance Settlement determines how much of the public funding in Wales will be given to each council. This funding is known as the Revenue Support Grant (RSG – which is a non-hypothecated grant that can be spent on whatever a council chooses). A council also receives non-domestic rates (NDR) which is pooled and redistributed based on each council’s resident population using a needs-based formula⁴.
- 2.3 Other council funding is raised locally in the form of council tax – which is set by each council as part of its annual budget setting process. In addition, councils are able to apply for additional funding through Welsh Government grant programmes and also raise money through fees and charges for services and goods.
- 2.4 In the last decade, the level of funding councils receive in the revenue settlement marginally fell in real terms⁵ from £5.9 billion in 2009-10 to £5.8 billion in 2019-20, but there has been a change in where the money comes from. The amount raised from Council Tax has risen in real terms from £1.257 billion in 2009-10 to £1.628 billion in 2019-20 and NDR from just under a billion (£0.965) to just over a billion (£1.079). On the other hand, RSG has fallen in real terms from £3.741 billion to £3.229 billion in the same timescale⁶.
- 2.5 Proportionally, RSG as a source of funding now accounts for just half of expenditure and council tax has grown to cover a third. This means that citizens are directly paying more for council services through local council tax than ten years ago.
- 2.6 To understand how councils’ funding choices reflect the services most used by citizens, we have plotted the real-term change in revenue expenditure between 2009-10 and 2019-20 and the findings of our citizen survey. This allows us to identify the link between spend priorities and how frequently people use different services – **Exhibit 3** below. Our analysis highlights that:
- a services that protect the most vulnerable in society have generally received more protection in budgets despite being less frequently used by citizens. These are the ‘safety net’ services – social care and housing – that are there to aid us if our circumstances or situation change and we need help.

4 A joint Welsh Government and council working group ([the Distribution Subgroup](#)) is responsible for ensuring the formula is reviewed regularly.

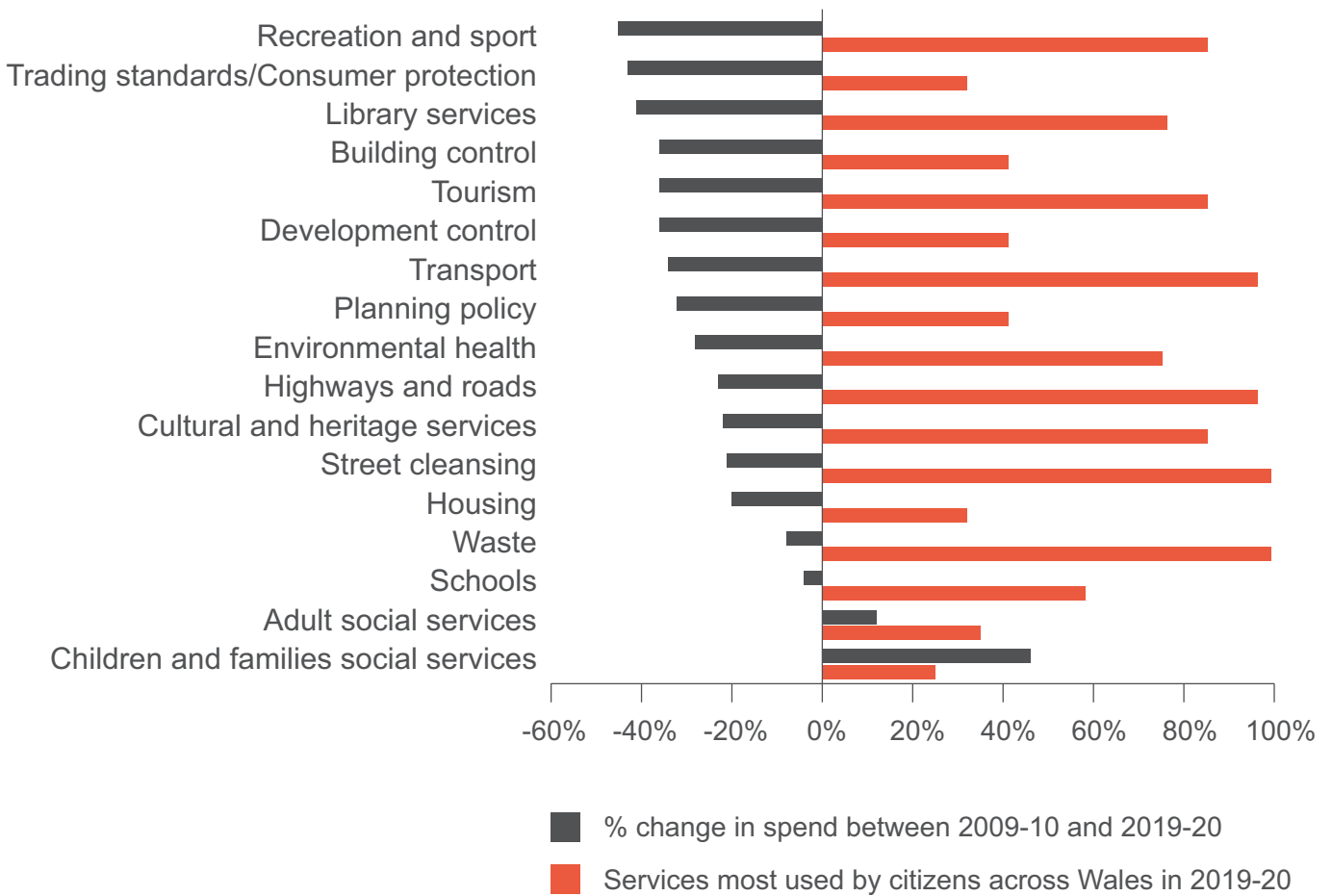
5 The change in council spending after correcting for the effect of inflation.

6 StatsWales, Welsh Government, LGFS0004 (with the deflator effect calculated from the UK Government [Quarterly National Accounts](#) published 9 September 2020).

- b activities focussed on the upkeep of the environment and infrastructure like waste collection, recycling, street cleansing, transport and roads are the services most frequently used by citizens. Whilst spending has fallen in the last decade, these services have not been cut as deeply as others.
- c pay as you use recreation and cultural services – leisure centres, swimming pools, museums, arts venues and theatres are well used and highly valued. These are often discretionary services which offer high social value, maintain personal wellbeing and play an important preventative role. Despite this, they have all seen large cuts in funding.
- d regulatory services like development and building control and trading standards – even though they play an important role in protecting us and enhancing our wellbeing, these are generally services that people receive indirectly, such as food inspections, or use when they need them, and have a long history of people paying to use them. These services have seen a sharp fall in spending.

Exhibit 3 – percentage change in revenue service expenditure in real terms between 2009-10 and 2019-20 compared with the council services most frequently used by citizens

Councils have protected spending on service areas such as adult and children’s social care where they have significant statutory responsibilities, but the amount they spend on some other areas has fallen sharply.



Source: StatsWales, Welsh Government, LGFS0016 (with the deflator effect calculated from the UK Government [Quarterly National Accounts](#) published in September 2020) and findings of the Audit Wales survey of citizens March 2020

- 2.7 All respondents to our survey were also asked to think about the three most important services that should still be available in ten years' time. The most valued service by a considerable margin was waste management including refuse collection, recycling and street cleaning. Two in three people placed this in their top three services – although younger people place less value on this than those aged over 35. Education (38%) and leisure services (36%) were the next most mentioned services, followed by adult social care (30%) and transport and travel (30%).

3 Service review processes help councils make tough choices but do not always draw on all key data

3.1 Reviewing where to make savings and which services to prioritise and protect usually follows a two-stage process. A detailed stage one review that draws together key data and information which concludes with recommendations (which itself is mostly undertaken in one of two ways) and a stage two approval process with formal ratification by cabinet or full council. **Exhibit 4** summarises the most common approaches we identified.

Exhibit 4 – most councils have established processes for reviewing services and identifying options to deliver them in the future

Working groups undertaking strategic reviews which are used to consider options for defined services, assets, budgets, activity, etc. These can be solely officer working groups, members groups or a mix of the two.

Information considered within working groups is mostly dealt with in private and not made publicly available. Consequently, it is not possible to see how comprehensive the analysis and information used by working groups to evaluate services, options are and agree a course of action

Scrutiny committee reviews focussing on the potential impact of budget proposals on services which are conducted through the scrutiny committee system and held in public. Positively, some authorities also undertake cross cutting scrutiny reviews which allow elected members with the opportunity to ‘jointly’ review potential changes to services in the round.

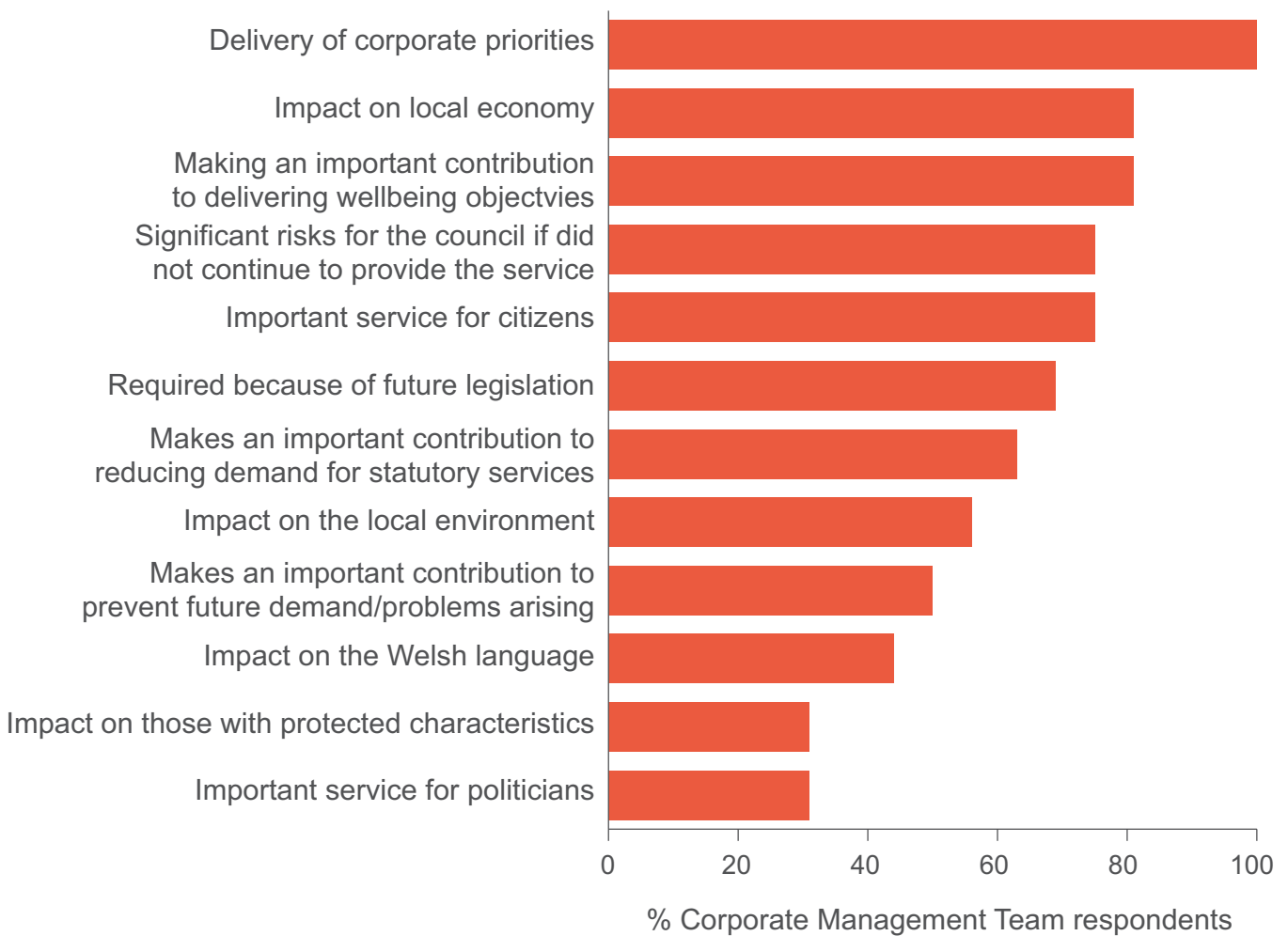
Approval of recommendations from reviews by Cabinet and/or Full Council

Source: Audit Wales review of cabinet and scrutiny papers in all 22 councils

3.2 We found that the quality and depth of information that is presented to members to inform discussions and support decision making is not always comprehensive, lacking detail in key areas. **Exhibit 5** summarises the criteria most frequently used by councils to determine how they prioritise services and shows that key, often statutory responsibilities, are being overlooked when agreeing funding priorities – for example, provision of services in Welsh and the impact on people with protected characteristics.

Exhibit 5 – the views of Corporate Management Teams on the criteria used to prioritise budget choices

The services with the least alignment with corporate priorities are often put up as the ones to take most cuts regardless of whether they are statutory or discretionary.



Source: Audit Wales, Survey of Corporate Management Teams, April 2020

- 3.3 Overall, councils give greater priority to those services that directly contribute to the delivery of corporate priorities and wellbeing objectives, are important for the local economy and/or are considered high risk if they were not provided. However, less consideration and priority are given to wider equality issues – Welsh language and the needs of people with protected characteristics – and services which can help manage, reduce and/or prevent demand. We conclude that there is more for councils to do to ensure they draw on as wide a range of evidence as possible when determining which services to prioritise and protect when setting budgets. And this is especially salient with the introduction of the new Socio-economic Duty on 31 March 2021⁷.
- 3.4 The findings of our national surveys highlight that Corporate Management Teams and Elected Members disagree on whether or not they have identified and mapped the statutory basis of services to help determine which services to prioritise in the future. Almost 80% of Elected Members responding to our survey claim that their council agreed which discretionary services to provide in the future, whereas just 44% of the Corporate Management Team members who responded felt they had completed such an exercise.
- 3.5 Councils regularly use impact assessments to identify the potential effect of ceasing a discretionary service on statutory functions or corporate priorities. For example, we found good approaches in Gwynedd Council and Bridgend County Borough Council, which clearly identify the negative impact that cutting a discretionary service may have on statutory services. Similarly, Denbighshire County Council has identified the legal basis of different services, which is used to help shape alternative models of delivery.
- 3.6 However, such approaches are not universal. Our review of scrutiny, cabinet and council papers found that the information used by elected members to decide whether to cease providing, or reduce a service, can lack detail. For instance, the legal basis for a service is not always included, how services contribute to the delivery of wider priorities can be brushed over and the impact on wider responsibilities not captured.

7 The Socio-economic Duty requires specified public bodies, when making strategic decisions such as deciding priorities and setting objectives, to consider how their decisions might help reduce the inequalities associated with socio-economic disadvantage.

3.7 We found that whilst cabinet and scrutiny papers are publicly available, they do not always include the full detail of information considered by working groups when reviewing services. This can make it difficult for citizens to understand why their council safeguards and protects a service over others. This is especially important with regard to 'visible' services which, as we note above, have been subject to significant reductions in funding. These are highly valued by citizens because they are universal, widely available and not solely focussed on meeting the needs of a small proportion of the population. They also represent for many people the only council service that they directly receive or benefit from.

Citizens are willing to get involved in helping shape and run services, but councils are neither effectively nor consistently involving them in decisions

3.8 Given how important local services are to citizens it is essential that councils consider the views of citizens when they make changes to these services. In addition, under the Well-being of Future Generations (Wales) Act 2015, councils must involve people in the decisions that will potentially impact on their future wellbeing. In particular, councils should ensure that their involvement work both considers and reflects the different groups within their community.

3.9 Our survey results indicate a clear difference of opinion between citizens and councils on the extent to which citizens are involved in council decisions. Most members of Corporate Management Teams (90%) and elected members (73%) believe that they involve citizens in the decision to stop providing a service on all or most occasions. However, our survey found that citizens are not as widely consulted as they should be, and that councils are not involving all the different groups within their area.

3.10 Priority setting in councils does not always effectively involve local people. We see few examples of councils involving communities in deciding future priorities. Just 18% of citizens stated that they had been consulted about potential changes to services during the last three years, and only half of these were subsequently updated on the decisions made.

3.11 Likewise, only 10% of residents stated that they were asked about how services should be designed in the future. Levels of involvement vary according to where a person lives and how old they are. We found that younger people (35 and under) and those with a disability were significantly less likely to say they had been consulted. Almost half of survey respondents (47%) would also 'definitely' campaign to stop the council closing a local service or amenity, and a further 39% said they 'might' campaign.

- 3.12 People want to see change. The vast majority of respondents (90%) to our survey agree that councils should explore new ways of providing discretionary services by working in partnership with other organisations and local people. As well as involving citizens in decisions about future service provision, there are therefore opportunities for councils to involve citizens in shaping and running services themselves.
- 3.13 In addition, recent research by Nesta shows that those councils that foster connected, caring communities will reap future dividends by helping communities solve problems together. Nesta finds that given the tools and the opportunity, local people can change the things they believe need changing in their community better than anyone else⁸.
- 3.14 When asked whether citizens should get involved in helping councils run services, we found that most survey respondents (two in three) agreed that they should do so. Almost all of those who agreed (85%) are also willing to provide day-to-day support to a family member. Around three in four (72%) would participate in developing services in their local area, and nearly two in three (64%) would help set up a service or amenities to help local residents.
- 3.15 In terms of volunteering, just over half of those surveyed expressed a wish to be involved in these activities. Support was the strongest when volunteering to provide day-to-day support for someone who is not a relative (58%); helping councils deliver local services (56%); and volunteering to help run local services such as parks and community centres (53%). However, only a third of people expressed support to apply for, and take over, the management of services from the council.
- 3.16 Younger people (35 and under) are significantly more likely to want to be involved in developing and running services. Older people (over 65) are significantly less likely to want to be engaged, and those aged 36 to 65 the least likely to provide day-to-day support and volunteer. Overall, those living in urban authority areas are more likely to volunteer to help the council deliver local services (64%) compared with rural (59%) and semi-rural (53%). They are also more likely to 'work to apply to take over and manage services' (41%) compared with 37% and 32% respectively.
- 3.17 It is clear that there is great potential for people to help their local council to provide services, and in some cases to take over running some services. If they want to realise this potential, councils must improve how they involve people in making decisions on services. Only then will councils fully understand which services people value and how willing people are to help deliver these services.

4 Councils are not confident that they can continue to deliver all their services in the face of rising and complex demand

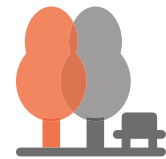
- 4.1 Demand for some essential services is continuing to rise. **Exhibit 6**, below, illustrates the changes in demand for services that protect and help vulnerable people.

Exhibit 6 – acute demand for council services continues to rise

Households eligible for homelessness assistance and in priority need have increased by **40%**, rising from 22,260 in 2015-16 to 31,170 in 2018-19.



People sleeping rough have risen from 240 in 2015-16 to 405 in 2019-20, a rise of **68.7%**.



Households accommodated temporarily rose by **24.2%** between the first quarter of 2015-16 and the fourth quarter of 2019-20, rising from 1,872 households to 2,325.



Adults suspected of being at risk of abuse or neglect (safeguarding) have risen by **27%** from 11,761 in 2016-17 to 14,938 in 2018-19.



Children looked after by councils at the year-end increased from 5,660 in 2016 to 7,170 in 2020, an increase of **26.7%**.



Source: StatsWales – [homelessness](#); [people sleeping rough](#); [people housed temporarily](#); [adults at risk of neglect and/or abuse](#); and [looked after children](#) – and Audit Wales calculations of percentage change

- 4.2 Rising need has been driven in part by the financial constraints on local government after a decade of reductions in public expenditure. Whilst cuts have undoubtedly been significant, they can disguise two key factors which are of greater concern; demographic change and increasingly complex needs.
- 4.3 Overall, life expectancy has increased significantly. In 1920, the average life expectancy in England and Wales was 55.6 years for men and 60 years for women⁹. By 2020 this has risen to 79.4 years for men and 83.1 years for women¹⁰. The proportion of the Welsh population over the age of 75 is projected to increase by 29.3% to 378,100 by 2028 and those aged over 65 by 16.3% to 758,600¹¹.
- 4.4 On top of this, high demand for council services is also a reflection of the relative levels of poverty within a society. Wales has some of the poorest people in the United Kingdom. Recent research published by the Joseph Rowntree Foundation¹² found that:
- a roughly one in four people in Wales live in poverty. Whilst child poverty has fallen from 33% in 2009-2012, to 28% in 2015-2018, poverty amongst people of pensionable age has risen from 14% in 2009-2012, to 19% in 2015-2018.
 - b in-work poverty in Wales (defined as the proportion of workers who are in poverty) stands at 14%, higher than all other nations and regions in the UK other than London (17%).
 - c in the first quarter of 2020, Wales had the lowest median hourly pay, compared to all other nations and regions, at £10.73.
 - d under-employment – restrictions in the number of hours people can work – is a problem for workers in poverty as it makes it very difficult to escape in-work poverty. Roughly 10% of workers in Wales are underemployed.

9 Office for National Statistics, [How has life expectancy changed over time?](#), September 2015.

10 Office for National Statistics, [National life tables – life expectancy in the UK: 2017 to 2019](#), September 2020.

11 Welsh Government, [National population projections: 2018-based](#), June 2020.

12 Joseph Rowntree Foundation, [Poverty in Wales 2020](#), November 2020. Poverty is when a person's resources are well below their minimum needs. Measuring poverty accurately is difficult, with most measures providing only a partial view. The main poverty indicator used is when someone lives in a household whose income is less than 60% of median income.

- 4.5 As the demographics of Wales change, the needs of its people are also changing, which in turn affects the nature of the services they require. For instance, more and more people are now living with a chronic or long-term condition, a disease which is likely to require ongoing treatment and medication for many years, even decades. And lifestyle diseases, such as obesity, smoking and excessive alcohol remain stubbornly hard to tackle. The most deprived individuals increasingly present to services with multiple challenges of increasing complexity. And such inequalities continue to put huge pressure on public services.
- 4.6 A decade of reductions in public finances required councils to cut budgets, become ever more efficient, reduce staff and generate new income. However, despite prioritising services targeted at helping to protect the most vulnerable and pursuing new ways of working to reduce spend and increase capacity, councils are increasingly finding it difficult to manage with reduced funding. Senior local government managers predict this will be seen quite sharply in the near future with the possibility of some services stopping and ceasing to be available. **Exhibit 7** summarises the findings of our survey of council corporate management team members and identifies which services are most at risk.

Exhibit 7 – council corporate management team members’ views on which services are most at risk of ceasing to be provided

In the next two years, if funding pressures continue, councils may cease offering key services that citizens value.

High Risk Funding gaps in 2020-21	Moderate Risk Funding gaps in 2022-23	Some Risk Funding gaps in 2024-25	Less Risk Funding gaps in 2025+
Provision/maintenance public toilets Road safety and traffic calming measures Provision/maintenance of community facilities Regulate private rented sector	Culture, heritage and tourism Community development Youth work Adult education Housing support Private sector renewal Economic development Business support Emergency planning Parks and Public Open Space Development Control Libraries	Public transport Environmental schemes Children’s social care services Schools and Education services	Maintaining roads Street cleaning Waste collection Adult social care Cemetery, crematorium and mortuary services Recycling Leisure and recreation services Building Control Homelessness Street lighting Environmental Health Car parks

Source: Audit Wales, Survey of Corporate Management Team members, April 2020

- 4.7 **Exhibit 7** shows that some of the services which are most imminently at risk are some of those which contribute to the environment of a town or community, its infrastructure or those which help keep us safe. These are services that are universally available and benefit all of us, with access and usage not based on assessing and ranking people's needs.
- 4.8 The key message from our research is that the more visible and personal council services are, the more relevance they have for people. In particular, councils have a higher public value and are seen as more relevant to communities when they:
- a continue to provide high use universal services, in particular visible services such as waste collection, road repairs and recycling.
 - b communicate effectively, encourage feedback and promote involvement. We found that people are generally more positive about their council when they feel well-informed, listened to and engaged in decision making.
 - c collaborate with other public sector bodies, citizens and the voluntary sector to deliver and maintain services.
- 4.9 To date, councils have focussed on several approaches to manage reductions in funding to protect frontline and essential services. Whilst the options taken are many and varied, and there is no one 'right approach', from our review of working papers and reports they mostly cover five broad strands of activity – **Exhibit 8**.

Exhibit 8 – councils have sought to reduce spend and safeguard services by changing how they provide them and encouraging people to do more for themselves.

Operating efficiencies

Shared services, strategic commissioning and reducing back office functions to save money to reinvest in frontline high demand services.



Channel shift and becoming digital by default

Reduce high cost channels (face to face and telephony) shifting to 'digital by default' with customer contact centres, hubs and portals, 24/7 online access and a consistent approach to accessing information and services.



Make money to spend money

Using council resources to leverage in additional revenue through new income generation schemes, commercialisation and maximising charges for services.



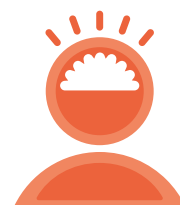
Empower people

Encouraging self-sufficiency, strengthening the resilience and capacity of local communities to do more for themselves and rely less on councils.



Introduce alternative models of delivery

Working with the third sector, town and community councils and others to find more cost-effective ways of delivering services, maintaining and managing assets through social enterprises, co-operatives and community asset transfers.



Source: Audit Wales

- 4.10 We know that councils have had to make tough choices on which services to protect, and where to reduce expenditure. None of this is easy and prioritising services for the most vulnerable in society is absolutely the right thing to do. Several people we spoke to, however, fear that ranking and prioritising services, viewing some as more important than others, is making councils less relevant to some in the communities that they serve.
- 4.11 Increasingly, there are larger groups of citizens and council taxpayers who do not directly receive, or feel that they benefit from, the services provided by their council because universal services have reduced or gone. And, as these universal services become less visible and available, councils are increasingly having less day-to-day engagement with their citizens, which diminishes their significance and value.
- 4.12 A number of people we have interviewed are concerned that councils are gradually being marginalised and the positive impact of their work on citizens risks becoming ever more diluted. The fear is that it could help create a negative perception of the value of local government – especially amongst younger people who will not have benefited from the broader and more accessible range of services their parents did. As seen from our survey results, there is a growing view amongst some citizens we surveyed that nothing good happens in their communities and they are not optimistic about the future. It is clear that rising demand requires a different response going forward.

5 COVID-19 offers an opportunity to reevaluate and reset the role and value of local government

- 5.1 COVID-19 has altered people's lives in both enormous and small ways. And it has been no different for the councils in Wales that serve them. Local government has been a key part of the front-line of Wales' response to the COVID-19 crisis. Councils have had to respond in ways that 12 months ago were unthinkable; to deal with problems that were unknown; and mostly not planned for. Home schooling, digital assessments of need, online planning committee meetings, remote and home-based working have changed how public services operate and how people interact with them.
- 5.2 The pandemic has made us all rethink what is important and question what we want in the future; both those who use council services but also those who provide them. Returning to how we used to do things is not enough. Put simply, what do we want from local government?

COVID-19 has demonstrated the importance of councils as key leaders in our communities who provide essential services and a safety net for people across Wales

- 5.3 COVID-19 has fundamentally changed the communities in which we live, and work, and people's expectations of local government are changing as a result. The Welsh Government provided the national leadership in responding to the pandemic, but at the local level it has been driven by councils who are providing that vital community leadership role. As the level of government closest to citizens, councils developed and implemented innovative solutions in response to the challenges of COVID-19. Just as the virus has forced everyone to find new ways of working, coping and communicating, it has also highlighted the importance, impact and flexibility of local government.
- 5.4 Councils provided local leadership and support to communities throughout the country. They proved how responsive and agile they are in the face of the crisis. They found new ways of maintaining services and new, creative, ways of delivering them. When the full impact of COVID-19 struck, councils stepped up to support their communities, helping homeless people living on the streets into accommodation, protecting the vulnerable and distributing grants to help keep the high street afloat and local businesses alive. Responding to the pandemic showed how relevant and important councils are for local people.

- 5.5 For instance, early on in the COVID-19 pandemic, Pembrokeshire County Council refocused the work of their community hubs. Council social services, Pembrokeshire Association of Voluntary Services and local volunteer groups come together to co-ordinate statutory and non-statutory services to support and safeguard very vulnerable people.
- 5.6 Likewise, Cardiff Council went to great lengths to contact everyone on their vulnerable people list, including knocking on doors, messages on local radio and via letters. The council used volunteers to deliver easy-read format leaflets about the support that was available for residents in the city. Through its efforts to actively engage with these vulnerable people, Cardiff Council are now in a better position to understand their needs and prevent problems and unnecessary demand for services at a later date.
- 5.7 However, councils have also had to contend with a heavy financial burden in dealing with COVID-19. In October, Audit Wales reported that the 22 councils have seen a combined loss of about £325 million in the first six months of the pandemic. Costs have increased by £165 million, where education and social services are the biggest drivers.
- 5.8 But income levels have fallen by £160 million, with drops in leisure and cultural services causing the biggest impact. The Welsh Local Government Association estimates that, collectively, councils were losing roughly £30 million pounds every month when they were forced to close many of their non-essential services to help limit the spread of the disease.
- 5.9 To date, additional funding provided by the Welsh Government has covered these extra costs and loss of income. However, the financial challenges arising from the pandemic are numerous, and go well beyond the more immediate and obvious costs of responding to the crisis. The future sustainability of the sector is an ongoing challenge.
- 5.10 As well as the financial burden, some council services, in particular social care, have been operating under huge levels of stress, struggling to cope with the impact of the pandemic on very vulnerable people. Other services, like waste and refuse collection, libraries and leisure services, have had to adapt their opening times, delivery methods and safety measures, and have had to be flexible as government guidelines on levels of lockdown have changed with surges in infection rates.
- 5.11 Overall, councils have shown an ability and willingness to embrace the challenges they face and accept the need to innovate by adapting and changing in response to the pandemic. Councils have shown that they are able to develop novel and quick solutions to complex problems. Internal processes, decision making structures and staff working arrangements were all placed under stress but were able to flex to get the job done. Responding to the pandemic showed us what councils could do to help address the challenges of the crisis.

5.12 Looking forward, what can councils learn and adapt from their response to the pandemic to rebuild after COVID-19?

Councils need to build on their response to COVID-19 and take the opportunity to transform the way they provide services and interact with communities

5.13 Those we interviewed and surveyed recognise that it is not enough to aim for a return to the pre-pandemic status quo. Councils need to take the opportunity to refresh, reevaluate and reset what they do and to learn from the pandemic to build a better future. Moving forward, the challenge is to mainstream this learning and use it to refine, adapt and deliver further improvements – to become truly transformational and use the impact of the pandemic as an impetus for positive change. Put simply, they need to define a better ‘new normal’ for the future.

5.14 For the past decade or so, councils have spoken about the need for transformation; to fundamentally challenge what they do and how they do it. As noted above, COVID-19 has accelerated the focus on transformation, and councils have sought to develop, adopt and adapt new ways of working. The response of local government to the pandemic highlighted the potential of what could be done. Learning from the positive innovations and making some of the changes in response to COVID-19 ‘business-as-usual’ is fundamental to the future transformation of local government.

5.15 There are some good examples where Welsh councils are transforming the way they deliver some services. Monmouthshire County Council refocussed its ‘Our Monmouthshire’ platform to provide support to communities during the COVID-19 crisis and beyond. It is a new and effective way of connecting communities to help reduce loneliness and social isolation. Similarly, Cardiff Council is integrating services in local service hubs across the city. The hubs are adapting to the new ways of working that arose out of necessity during lockdown, with more focus on new ways of communicating with the public, use of new technology, integrating teams, and using volunteers to support some services.

5.16 Examples such as these highlight how councils in Wales are using the pandemic to refresh their role and take opportunities to try new approaches. However, is this resulting in truly transformational change?

- 5.17 In short, despite COVID-19 encouraging new ways of thinking it is too early to see this 'new transformation' take root. This is particularly so given the resurgence of the virus and the consequent ebb and flow between response and recovery. Our assessment is that recovery planning primarily focuses on the council and its working practices, systems and processes with an aim to 'get the council back on its feet', re-establish learning and continuing to support local businesses. As we look to the medium and longer term though, opportunities for wider public service transformation, growing the green economy and addressing longstanding community challenges need to be taken, otherwise much of the good work in responding to COVID-19 will be lost.
- 5.18 Our research outside of Wales has identified that some councils are very ambitious and are already using the pandemic to support and accelerate change. In particular, they are being more outward focussed, taking the opportunity to refocus on the communities they represent and the people they serve.
- 5.19 The London Borough of Hounslow's recovery plan brings together four months of work with a range of organisations, businesses, voluntary and community groups, academics and residents. One Hounslow Forward Together sets out the major interventions the Council is undertaking based around four themes – renewing local economies, empowering local residents, tackling local inequalities and reimagining local places. Lockdown shone a light on poverty for Hounslow.
- 5.20 Overcrowded housing meant that more people were likely to catch the disease and more likely to die from it, due to the inequalities of deprivation, poverty and poor health. Hardest hit were members of the black and ethnic minority community. Lockdown also changed the environment, bringing cleaner air and allowed residents to experience what a greener London could be like. The importance of access to green space, creating safe and pleasant walking and cycling routes to improve people's health and tackling climate change is now seen as essential. The plan sets out six key principles for all public bodies in Hounslow to use in recovering from COVID-19:
- a Work as one
 - b Act local
 - c Champion the borough
 - d Focus on prevention
 - e Support communities
 - f Use evidence

- 5.21 The Preston Model¹³ is rethinking the City Council's role in community involvement through its Community Wealth Building¹⁴. Community Wealth Building, which started before the pandemic, is now seen as critical in offering an opportunity for local people to take back control and ensure that the benefits of local growth are invested in their local areas. Preston City Council, key anchor institutions and private partners are implementing the principles of Community Wealth Building within Preston and the wider Lancashire area. Working collectively significantly increases spending power and assets and will result in a significantly greater impact on the future wellbeing of the city.
- 5.22 The response of councils to COVID-19 showed the work of local government at its best:
- a leading their communities and standing shoulder-to-shoulder with citizens, partners and businesses;
 - b safeguarding vulnerable people and protecting jobs and services; and
 - c delivering essential services and finding novel and innovative ways of maintaining the safety net for people at speed and pace.
- 5.23 The Local Government and Elections (Wales) Act¹⁵ introduces further changes to the local government landscape. In particular, a general power of competence for councils and town and community councils, reforming public participation in local democracy, a new framework for regional working and a new self-assessment system for performance and governance. Councils need to take these opportunities to be bold and re-frame their role in communities, maximising their value and relevance to the people they serve.
- 5.24 Whilst there is, therefore, broad agreement that COVID-19 can accelerate change in local government and wider public services, to be truly transformational will require leaders to challenge well established and longstanding practices and to address some fundamental issues that have previously held progress back. Widespread and sustained cultural change is needed in public services to realise the full potential of these kinds of opportunities.
- 5.25 A major risk for councils is that too much of their activity remains invisible to citizens. Many council services make both direct and indirect contributions to people's lives without necessarily being recognised for doing so. Communicating and engaging with citizens is vitally important in promoting a much better understanding of councils' contribution.

13 See: [What is the Preston Model?](#)

14 See: [What is Community Wealth Building?](#)

15 [Senedd Cymru: Local Government and Elections \(Wales\) Act 2021](#)

5.26 It is clear that the future of local government and public sector partners' communications does not look anything like it has in the past. Smart technology allows residents to choose how, when and what information they receive, and councils need to respond to this by being defter and more targeted or they will lose significant opportunities for meaningful engagement, diminishing their relevance and their credibility. Ultimately, councils need to be demonstrably relevant to all in their community otherwise citizens may question their purpose and value. And if councils do not communicate a positive and aspirational vision for the future of their local area and all their communities, who will?

Appendix 1 – Study methodology

We examined how councils have defined their services and sought to protect essential services when dealing with reductions in funding. We focussed on how councils define services, the systems and processes they have used to review services and how robust and comprehensive these are.

We have reviewed a wide range of documents and media, including Welsh Government policy, statutory guidance and legislation; all 22 councils' cabinet and scrutiny papers since January 2018; data published by StatsWales and the Office for National Statistics; and other relevant research and guidance from government, councils, CIPFA, and research bodies.

We commissioned a detailed telephone survey with 842 people from all 22 council areas in Wales. We completed an online survey with all elected members and received 263 responses from all 22 councils. We also surveyed all 22 Corporate Management Teams and received replies from 44 individual officers. We had responses from all 22 councils in Wales. We undertook a range of interviews with national bodies including APSE, the Joseph Rowntree Foundation, NESTA, the Local Government Network and others.

We confirmed the scope of our work to councils and, in advance of publication, we invited comments on our draft report, or relevant extracts, from named councils and the Welsh Government.



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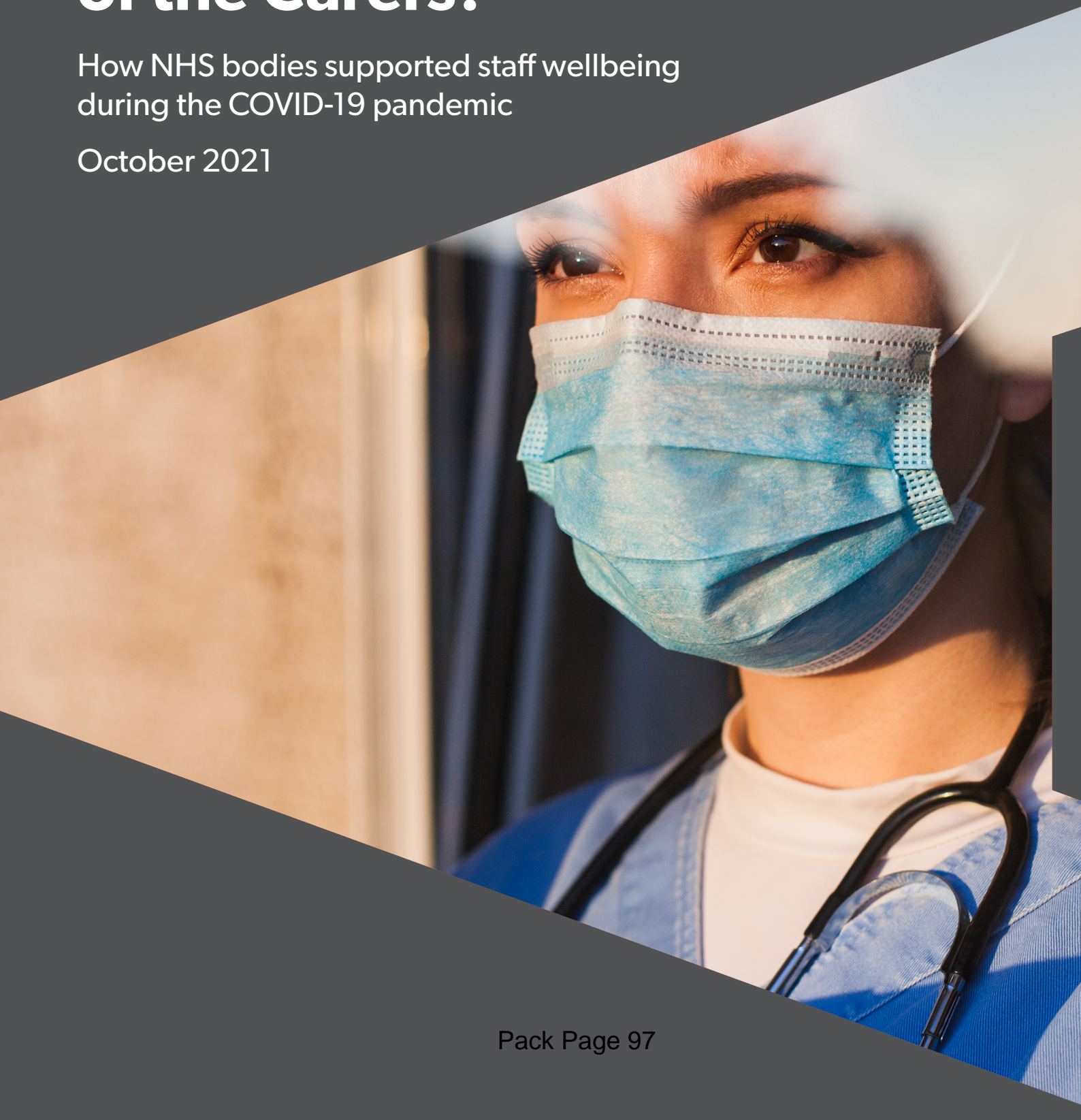
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Taking Care of the Carers?

How NHS bodies supported staff wellbeing
during the COVID-19 pandemic

October 2021



This report has been prepared for presentation to the Senedd under section 145A of the Government of Wales Act 1998 and section 61(3) (b) of the Public Audit Wales Act 2004.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg

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Background

- 1 This report describes how NHS bodies have supported the wellbeing of their staff during the COVID-19 pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19.
- 2 It is the second of two publications which draw on the findings of our local structured assessment work with the aim of highlighting key themes, identifying future opportunities, and sharing learning. The first report [Doing it differently, doing it right?](#) - describes how NHS bodies revised their arrangements to enable them to govern in a lean, agile, and rigorous manner during the pandemic.

Key messages

- 3 NHS staff at all levels have shown tremendous resilience, adaptability, and dedication throughout the pandemic. However, they have also experienced significant physical and mental pressures due to the unprecedented challenges caused by the crisis.
- 4 The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic. However, the unprecedented scale and impact of the COVID-19 pandemic brought the importance of supporting staff wellbeing into even sharper focus.
- 5 As a result, all NHS bodies in Wales placed a strong focus on staff wellbeing throughout the COVID-19 pandemic. At the outset of the crisis, each NHS body moved quickly to enhance their existing employee assistance arrangements and to put additional measures in place to support the physical health and mental wellbeing of their staff, as much as possible, during the pandemic. Key actions taken by NHS bodies to protect staff and support their wellbeing included:
 - enhancing infection prevention and control measures;
 - reconfiguring healthcare settings;
 - facilitating access to COVID-19 tests and, more recently, COVID-19 vaccinations;
 - creating dedicated rest spaces;
 - increasing mental health and psychological wellbeing provision;
 - strengthening staff communication and engagement; and
 - enabling remote working.

- 6 All NHS bodies put arrangements in place to roll out the All-Wales COVID-19 Workforce Risk Assessment Tool (the Risk Assessment Tool) as part of their wider efforts to safeguard members of staff at higher risk from COVID-19. Each NHS body promoted the Risk Assessment Tool in a number of ways. However, Risk Assessment Tool completion rates via the Electronic Staff Record (ESR) have varied considerably between individual NHS bodies. All NHS bodies utilised measures from their wider suite of wellbeing arrangements to meet the individual needs of staff at higher risk from COVID-19 as identified by the Risk Assessment Tool.
- 7 The boards and committees of most NHS bodies maintained good oversight and ensured effective scrutiny of all relevant staff wellbeing risks and issues during the pandemic. However, arrangements for reporting Risk Assessment Tool completion rates and providing assurance on the quality of completed risk assessments could have been strengthened in most NHS bodies.
- 8 Whilst the crisis has undoubtedly had a considerable impact on the wellbeing of staff in the short-term, the longer-term impacts cannot and should not be ignored or underestimated. Surveys and work undertaken by a range of professional bodies highlight the increased stress, exhaustion and burnout experienced by staff, and point to the growing risk to staff of developing longer term physical and psychological problems without ongoing support.
- 9 A continued focus on providing accessible wellbeing support and maintaining staff engagement, therefore, is going to be needed in the short-term to ensure NHS bodies address the ongoing impact of the pandemic on the physical health and mental wellbeing on their staff.
- 10 However, the COVID-19 pandemic has also created an opportunity to rethink and transform staff wellbeing for the medium to longer term. Whilst supporting the wellbeing of the NHS workforce is more necessary than ever when the service needs to respond to a crisis, investing appropriately in staff wellbeing on an ongoing basis is equally as important as a healthy, engaged, and motivated workforce is essential to the delivery of safe, high-quality, effective, and efficient health and care services.



The resilience and dedication shown by NHS staff at all levels in the face of the unprecedented challenges and pressures presented by the pandemic has been truly remarkable. It is inevitable, however, that this will have taken a considerable toll on the wellbeing of NHS staff, who now also face the challenges of dealing with the pent-up demand in the system caused by COVID-19. It is assuring to see that NHS bodies have maintained a clear focus on staff wellbeing throughout the pandemic and have implemented a wide range of measures to support the physical health and mental wellbeing of their staff during the crisis. It is vital that these activities are built upon and that staff wellbeing remains a central priority for NHS bodies as they deal with the combined challenges of recovering services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures which are expected to be greater this winter than they were last year. Taking care of those who care for others is probably more important now than it has ever been before.

Adrian Crompton
Auditor General for Wales



Recommendations

11 Recommendations arising from this work are detailed in **Exhibits 1** and **2**.

Exhibit 1: recommendations for NHS bodies

Recommendations

Retaining a strong focus on staff wellbeing

R1 NHS bodies should continue to maintain a strong focus on staff wellbeing as they begin to emerge from the pandemic and start to focus on recovering their services. This includes maintaining a strong focus on staff at higher risk from COVID-19. Despite the success of the vaccination programme in Wales, the virus (and variations thereof) continues to circulate in the general population. All NHS bodies, therefore, should continue to roll-out the Risk Assessment Tool to ensure all staff have been risk assessed, and appropriate action is taken to safeguard and support staff identified as being at higher risk from COVID-19.

Considering workforce issues in recovery plans

R2 NHS bodies should ensure their recovery plans are based on a full and thorough consideration of all relevant workforce implications to ensure there is adequate capacity and capability in place to address the challenges and opportunities associated with recovering services. NHS bodies should also ensure they consider the wider legacy issues around staff wellbeing associated with the pandemic response to ensure they have sufficient capacity and capability to maintain safe, effective, and high-quality healthcare in the medium to long term.

Recommendations

Evaluating the effectiveness and impact of the staff wellbeing offer

R3 NHS bodies should seek to reflect on their experiences of supporting staff wellbeing during the pandemic by evaluating fully the effectiveness and impact of their local packages of support in order to: (a) consider what worked well and what did not work so well; (b) understand its impact on staff wellbeing; (c) identify what they would do differently during another crisis; and, (d) establish which services, programmes, initiatives, and approaches introduced during the pandemic should be retained or reshaped to ensure staff continue to be supported throughout the recovery period and beyond. NHS bodies should ensure that staff are fully engaged and involved in the evaluation process.

Enhancing collaborative approaches to supporting staff wellbeing

R4 NHS bodies should, through the National Health and Wellbeing Network and/or other relevant national groups and fora, continue to collaborate to ensure there is adequate capacity and expertise to support specific staff wellbeing requirements in specialist areas, such as psychotherapy, as well as to maximise opportunities to share learning and resources in respect of more general approaches to staff wellbeing.

Recommendations

Providing continued assurance to boards and committees

R5 NHS bodies should continue to provide regular and ongoing assurance to their Boards and relevant committees on all applicable matters relating to staff wellbeing. In doing so, NHS bodies should avoid only providing a general description of the programmes, services, initiatives, and approaches they have in place to support staff wellbeing. They should also provide assurance that these programmes, services, initiatives, and approaches are having the desired effect on staff wellbeing and deliver value for money. Furthermore, all NHS bodies should ensure their Boards maintain effective oversight of key workforce performance indicators – this does not happen in all organisations at present.

Building on local and national staff engagement arrangements

R6 NHS bodies should seek to build on existing local and national workforce engagement arrangements to ensure staff have continued opportunities to highlight their needs and share their views, particularly on issues relating to recovering, restarting, and resetting services. NHS bodies should ensure these arrangements support meaningful engagement with underrepresented staff groups, such as ethnic minority staff.

Exhibit 2: recommendations for the Welsh Government**Recommendations**

Evaluating the national staff wellbeing offer

R7 The Welsh Government should undertake an evaluation of the national staff wellbeing services and programmes it commissioned during the pandemic in order to assess their impact and cost-effectiveness. In doing so, the Welsh Government should consider which other national services and programmes should be commissioned (either separately or jointly with NHS bodies) to ensure staff continue to be supported throughout the recovery period and beyond.

Evaluating the All-Wales COVID-19 Workforce Risk Assessment Tool

R8 The Welsh Government should undertake a full evaluation of the All-Wales COVID-19 Workforce Risk Assessment Tool to identify the key lessons that can be learnt in terms of its development, roll-out, and effectiveness. In doing so, the Welsh Government should engage with staff at higher risk from COVID-19 to understand their experiences of using the Risk Assessment Tool, particularly in terms of the extent to which it helped them understand their level of risk and to facilitate a conversation with their managers about the steps that should be taken to support and safeguard them during the pandemic.

Introduction

- 12 NHS bodies in Wales have faced unprecedented challenges and considerable pressures during the COVID-19 pandemic. Throughout this crisis, NHS bodies have had to balance several different, yet important, needs – the need to ensure sufficient capacity to care for people affected by the virus; the need to maintain essential services safely; the need to safeguard the health and wellbeing of their staff; and the need to maintain good governance. In order to respond to these needs effectively, NHS bodies have been required to plan differently, operate differently, manage their resources differently, and govern differently.
- 13 Our structured assessment work¹ in 2020 was designed and undertaken in the context of the ongoing pandemic. As a result, we were given a unique opportunity to see how NHS bodies have been adapting and responding to the numerous challenges and pressures presented by the COVID-19 crisis.
- 14 This report is the second of two publications which draw on the findings of our structured assessment work, and more recent evidence gathering to highlight key themes, identify future opportunities, and share learning both within the NHS and across the public sector in Wales more widely.
- 15 In our first report – Doing it differently, doing it right? – we discussed the importance of maintaining good governance during a crisis and describe how revised arrangements enabled NHS bodies to govern in a lean, agile, and rigorous manner during the pandemic. We also highlighted the key opportunities for embedding learning and new ways of working in a post-pandemic world.
- 16 In this report, we discuss the importance of supporting staff wellbeing and describe how NHS bodies have supported the wellbeing of their staff during the pandemic, with a particular focus on their arrangements for safeguarding staff at higher risk from COVID-19. We consider the key lessons that can be drawn from the experiences of NHS bodies of supporting staff wellbeing during the COVID-19 crisis and conclude by highlighting the key challenges and opportunities for the future.
- 17 Whilst this report draws on the findings of our structured assessment work, it has also been informed by additional evidence gathered from each NHS body as well as information received from the Welsh Government, the British Medical Association (BMA), and the Royal College of Nursing (RCN) in Wales. Furthermore, as this report draws largely on the findings of our structured assessment work, we haven't engaged directly with NHS staff. Instead, we have referenced the findings from surveys undertaken by BMA Wales and others to provide insights into staff experiences during the pandemic.

1 A structured assessment is undertaken in each NHS body to help discharge the Auditor General's statutory requirement, under section 61 of the Public Audit (Wales) Act 2004, to be satisfied they have made proper arrangements to secure economy, efficiency, and effectiveness in their use of resources. Individual reports are added to for each NHS body, which are available on our [website](#).

Importance of supporting staff wellbeing

- 18 The workforce is an essential component of the Welsh healthcare system. The NHS in Wales employs around 88,000 full-time equivalent staff (**Exhibit 3**) and staff costs accounted for 50% of total NHS spending in 2020-21².

Exhibit 3: NHS staff by staff group (March 2021)³

Staff Group	FTE
Medical and dental staff	7,294
Nursing, midwifery, and health visiting staff	36,027
Administration and estates staff	21,380
Scientific, therapeutic, and technical staff	14,947
Health care assistants and other support staff	5,806
Ambulance staff	2,709
Other non-medical staff	96

Source: [StatsWales](#)

² Total NHS spending in 2020-21 was £9.6 billion, of which £4.8 billion was spent on staff costs. (Source: [Audit Wales](#))

³ General Medical and Dental Practitioners are excluded as they are independent NHS contractors.

- 19 All NHS bodies in Wales have a statutory duty of care to protect the health and safety of their staff and provide a safe and supportive environment in which to work. However, supporting staff wellbeing is also important for several other reasons:
- **patient outcomes** – there is a strong link between negative staff wellbeing and poor patient outcomes. Research shows that negative staff wellbeing and moderate to high levels of burnout are associated with poor patient safety outcomes⁴. The Francis Inquiry Report into the Mid Staffordshire NHS Foundation Trust also highlighted the association between poor staff wellbeing and lower quality of care⁵. Supporting positive wellbeing at work, therefore, enables NHS bodies to maintain higher levels of patient safety, provide better quality of care, and ensure higher patient satisfaction.
 - **organisational outcomes** – there are considerable financial costs associated with poor staff wellbeing. According to Health Education England, the cost of poor mental health in the NHS workforce equates to £1,794 - £2,174 per employee per year⁶. Furthermore, the costs associated with staff absenteeism are significant. The Boorman Review calculated the direct cost of reported absence in the NHS across the UK was around £1.7 billion a year and the indirect cost of employing temporary staff to provide cover was estimated to be £1.45 billion a year⁷. Supporting positive wellbeing at work, therefore, enables NHS bodies to reduce the number of working days lost as a result of poor staff wellbeing and achieve greater cost savings.
 - **employee outcomes** – a poor experience at work is associated with negative wellbeing which, in turn, leads to lower staff engagement and motivation, greater workplace stress, higher staff turnover, and poorer patient outcomes. Research shows that staff wellbeing is impacted negatively by a workforce that is overstretched due to absences and vacancies and supplemented by temporary staff^{8,9}. Wellbeing is also negatively affected when staff feel undervalued and unsupported in their roles, feel overwhelmed by their workloads, and feel as though they have little control over their work lives¹⁰. Supporting positive wellbeing at work, therefore, enables NHS bodies to enhance staff engagement and motivation, minimise workplace stress, and retain more of their employees.

4 [Hall et al \(2016\) Healthcare Staff Wellbeing, Burnout, and Patient Safety: A Systematic Review](#)

5 [Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry \(2013\)](#)

6 [Health Education England \(2019\) NHS Staff and Learners' Mental Wellbeing Commission](#)

7 [NHS Health and Wellbeing Review \(2009\) Interim Report](#)

8 [Rafferty et al \(2007\) Outcomes of variation in hospital nurse staffing in English hospitals: cross-sectional analysis of survey data and discharge records](#)

9 [Picker \(2018\) The risks to care quality and staff wellbeing of an NHS system under pressure](#)

10 [West and Coia \(2018\) Caring for doctors, Caring for patients](#)

How health bodies supported staff wellbeing during the pandemic

- 20 The NHS in Wales was already facing a number of challenges relating to staff wellbeing prior to the pandemic. The results of the 2018 [NHS Staff Survey](#) show that 64% of respondents stated they had come to work despite not feeling well enough to perform their duties (compared to 57% in 2016), and 34% stated they had been injured or felt unwell as a result of work-related stress (compared to 28% in 2016). Furthermore, the sickness absence 12-month moving average for the 12 months ending March 2020 was the highest since data started to be collected in 2008.
- 21 However, the unprecedented scale and impact of the COVID-19 pandemic brought the importance of supporting staff wellbeing into even sharper focus at both a national and local level in order to:
- protect the health of staff by reducing the prevalence of COVID-19 in healthcare settings and minimising their exposure to the virus;
 - reduce the risk of staff transmitting the virus to colleagues, patients, family members, and other members of the wider community;
 - safeguard vulnerable groups of staff at higher risk from the virus, such as older people, people with underlying health conditions, pregnant women, and people from certain ethnic minority groups;
 - support staff to adapt to new ways of working and adjust to different work settings;
 - help staff to cope with the challenges, pressures, uncertainties, and stresses associated with the pandemic;
 - ensure NHS bodies maintain sufficient staffing levels to sustain essential services and care safely for patients affected by the virus; and
 - enable NHS bodies to restart, recover and rebuild services safely, effectively, and efficiently.
- 22 As a result, all NHS bodies in Wales placed a strong focus on staff wellbeing throughout the crisis in line with their operational plans and Welsh Government guidance¹¹.

11 [WHC/2020/019: Expectations for NHS Health Boards and Trusts to ensure the health and wellbeing of the workforce during the Covid-19 pandemic](#)

- 23 At the outset of the pandemic, each NHS body moved quickly to plan and deliver local packages of support as part of a wider multi-layered wellbeing offer to staff. The multi-layered offer, which grew and evolved over time, gave staff free access to a range of pan-Wales services and resources, including:
- **SilverCloud** – a digital mental health platform designed to help NHS staff manage feelings of stress, anxiety, and depression.
 - **Health for Health Professionals Wales** – a free, confidential service that provides NHS staff, students, and volunteers in Wales with access to various levels of mental health support including self-help, guided self-help, peer support, and virtual face-to-face therapies with accredited specialists.
 - **Samaritans Support Line** – a confidential bilingual wellbeing support line for health and social care workers and volunteers in Wales.
 - **online wellbeing resources for NHS staff** – Health Education and Improvement Wales (HEIW) worked with key colleagues on the Health and Wellbeing Sub-Group of the national COVID-19 Workforce Cell to curate and make resources and access to specific specialist services available through its Covid-19 Playlist – [NHS Wales Staff Wellbeing Covid-19 Resource](#). The Playlist also signposted staff to the wellbeing resources of their respective Health Boards and Trusts. The Health and Wellbeing Sub-Group has now transitioned into the National Health and Wellbeing Network which receives leadership and programme management support from HEIW.
- 24 In this section, we briefly describe the measures put in place by NHS bodies in Wales to support staff wellbeing at a local level, including their arrangements for safeguarding staff at higher risk from COVID-19.

Supporting physical and mental wellbeing

- 25 We found that all NHS bodies enhanced their existing employee assistance programmes and services (such as Occupational Health) and put additional arrangements in place to support the physical health and mental wellbeing of their staff, as much as possible, during the pandemic. For example:
- **enhancing infection prevention and control measures** – all NHS bodies, particularly the Health Boards and relevant Trusts, introduced enhanced infection prevention and control measures such as providing more hand hygiene facilities, supplying personal protective equipment (PPE) in line with national guidance¹², and increasing the frequency of cleaning and decontaminating surfaces, areas, and equipment.

¹² The Auditor General for Wales has reported on the provision of PPE in a separate report titled [Procuring and Supplying PPE for the COVID-19 Pandemic](#) (April 2021).

- **reconfiguring healthcare settings** – all of the Health Boards and relevant Trusts reconfigured as much of their healthcare settings as possible to segregate COVID-19 and non-COVID-19 care pathways and minimise patient, staff, and visitor movements between areas. However, the design of older buildings made this more challenging in some NHS bodies.
- **facilitating access to COVID-19 tests and COVID-19 vaccinations** – all of the Health Boards and relevant Trusts put arrangements in place to enable frontline staff to access tests for COVID-19 and, more recently, COVID-19 vaccinations in line with JCVI (Joint Committee on Vaccination and Immunisation) guidance¹³. Although some NHS bodies encountered a few challenges facilitating access to COVID-19 testing at the outset of the pandemic due to limited lab capacity, the situation improved gradually over time as lab capacity increased and new rapid-testing technology became more widely available. In terms of vaccinations, overall uptake amongst healthcare workers is extremely high. As of 17 July 2021, 96.3% had received their first dose and 93.2% had received their second dose¹⁴.
- **creating dedicated rest spaces** – most of the Health Boards and relevant Trusts established designated spaces for front-line staff to rest, recuperate, and focus on their welfare. These spaces, which were predominantly based on acute sites, were referred to as ‘wellbeing rooms’ or ‘recharge rooms’ in most areas.
- **increasing mental health and psychological wellbeing provision** – all NHS bodies increased the range, availability, and accessibility of their mental health and psychological wellbeing offer to staff. Examples include:
 - providing information and resources to promote self-care, enhance personal resilience, and support staff to adjust to new ways of working;
 - delivering therapeutic programmes, such as mindfulness and arts in health;
 - facilitating access to counselling and talking services to provide support for staff with mental health concerns such as anxiety, stress, and low mood; and
 - investing in specialised provision for members of staff experiencing the adverse effects of trauma and bereavement.

13 The Auditor General for Wales has reported on the provision of COVID-19 testing and the roll-out of COVID-19 vaccinations in two separate reports titled [Test, Trace, Protect in Wales: An Overview of Progress to Date](#) (March 2021) and [Rollout of the COVID-19 vaccination programme in Wales](#) (June 2021).

14 Source: [Public Health Wales Rapid COVID-19 Surveillance](#)

- **strengthening staff communication and engagement** – all NHS bodies strengthened their internal communication arrangements and used a broad range of channels and platforms to convey information and updates to their staff on a regular basis. In addition, all NHS bodies strengthened their staff engagement arrangements during the pandemic. As well as maintaining ongoing engagement with established employment partnerships and staff networks and groups, all NHS bodies surveyed their staff on a regular basis to better understand their needs and experiences as well as to capture their views on various matters, including the effectiveness of the local wellbeing provision.
- **enabling remote working** – all NHS bodies put arrangements in place to support remote working as part of their wider efforts to ensure and maintain physical distancing, for those staff for whom home working was appropriate. Although some NHS bodies encountered a few challenges rolling-out the necessary technology and software required to support remote working at the outset of the pandemic, these were overcome relatively quickly.
- **providing other forms of support** – a range of other support measures were implemented by NHS bodies, such as:
 - rolling out risk assessment tools, such as Stress Risk Assessment Tools and the All-Wales COVID-19 Workforce Risk Assessment Tool (this is discussed in more detail in the next section);
 - providing additional information and support to leaders and managers to enable them to engage, motivate, and support their teams effectively during the pandemic;
 - providing temporary accommodation for front-line staff living with individuals at higher risk from COVID-19; and
 - enhancing Chaplaincy services to ensure staff have access to pastoral support.

Detailed examples of health and wellbeing initiatives introduced by each NHS body during the pandemic are provided in the briefing produced by Welsh NHS Confederation titled [Supporting Welsh NHS staff wellbeing throughout COVID-19](#).

- 26 The BMA has surveyed its members extensively during the pandemic. Whilst the results are not representative of the NHS workforce as a whole, they do provide useful insights into the experiences of medical staff during the crisis:
- BMA members responding to the surveys felt better protected from coronavirus in their place of work as the pandemic progressed. The proportion of members stating they felt fully protected was 27% (113 of 417) and 37% (100 of 274) in December 2020 and April 2021 respectively. The proportion of members stating they didn't feel protected at all was 11% (47 of 417) and 6% (16 of 274) in December 2020 and April 2021 respectively.
 - A considerable number of BMA members responding to the surveys accessed wellbeing support services (provided by either their employer or a third party) during the pandemic – 43% (117 of 407) in May 2020, 38% (120 of 314) in July, and 38% (95 of 253) in August 2020. However, when asked if they knew how to access wellbeing/occupational health support if they required them, 45% (126 of 279) stated in April 2021 they either didn't know how to access these services or weren't aware what services exist.
- 27 Whilst it has been positive to see so many initiatives being developed and rolled-out during the pandemic, there is evidence to suggest that some staff experienced difficulties navigating their way around the plethora of initiatives to identify the ones that would best meet their needs. In light of this, the Welsh Government recently announced it would be launching a prototype Workforce Wellbeing Conversation Framework Tool to support NHS staff to pro-actively talk openly and honestly with their managers about their ongoing wellbeing needs and to sign-post them to the support available where appropriate¹⁵. Whilst this is a positive development, NHS bodies should also continue to engage with their staff to better understand their experiences of seeking and accessing support and adapt and improve their arrangements as necessary.

Safeguarding staff at higher risk from COVID-19

- 28 All NHS bodies put arrangements in place to roll out the All-Wales COVID-19 Workforce Risk Assessment Tool (the Risk Assessment Tool) as part of their wider efforts to safeguard members of staff at higher risk of developing more serious symptoms if they come into contact with the COVID-19 virus¹⁶.

15 [Written Statement - Minister for Health and Social Services](#) (21 July 2021)

16 The Risk Assessment Tool, which was launched in May 2020, was developed by a multi-disciplinary sub-group reporting to an Expert Advisory Group established by Welsh Government. All NHS bodies were using other risk assessments tools prior to the roll-out of the national tool.

- 29 The Risk Assessment Tool is based on a large and growing body of data and research which shows that an individual is at higher risk from COVID-19 if they have a combination of the following risk factors:
- they are over the age of 50 (the risk is further increased for those aged over 60 and 70 years old);
 - they were born male at birth;
 - they are from certain ethnic minority groups;
 - they have certain underlying health conditions (the risk very high for the clinically extremely vulnerable);
 - they are overweight; and
 - their family history makes them more susceptible to COVID-19.
- 30 The risk assessment process is completed in a number of stages with the aim of encouraging a supportive and honest conversation between a member of staff and their line-manager/employer around the measures that should be put in place to ensure they are adequately safeguarded and supported. The process is summarised in **Exhibit 4**.
- 31 We found that NHS bodies promoted the Risk Assessment Tool in a number of ways and put a range of measures in place to encourage and support their staff to complete it. The following arrangements and approaches were considered particularly important by NHS bodies:
- **senior management support** – strong and visible support for the Risk Assessment Tool by senior managers was considered important in terms of reassuring staff that the organisation was committed to the risk assessment process and supporting staff at higher risk from COVID-19.
 - **utilising workforce data** – analysing and utilising workforce data was considered important in terms of identifying staff potentially at higher risk from COVID-19, planning appropriate packages of support, and facilitating targeted messaging around the importance of completing the risk assessment process. However, several NHS bodies told us they had concerns about the robustness of Electronic Staff Record (ESR) data.
 - **support for line-managers** – ongoing information, advice, and support for line-managers, particularly from HR Officers/Business Partners, was considered important not only to help them fully understand their role in the risk assessment process but also to enable them to support their direct reports in a compassionate and supportive manner.

Exhibit 4: COVID-19 workforce risk assessment process

Step 1 – Checking risk	Member of staff completes the Risk Assessment Tool to check which risks apply to them.
Step 2 – Understanding the score	Member of staff calculates their score in order to understand the likely level of risk to them personally (low, high, or very high).
Step 3 – Identifying the right action	Member of staff discusses their score and other relevant factors with their line-manager (especially if they are in the high or very high-risk category) in order to identify the actions they can take personally and/or the support their employer can provide to ensure they are adequately protected.
Step 4 – Taking the right action	Agreed actions are implemented by the member of staff and/or their employer and reviewed on an ongoing basis to ensure they remain relevant and appropriate.

Source: [All Wales COVID-19 Workforce Risk Assessment Tool Guidance for Managers and Staff](#) (February 2021)

- **occupational health input** – information, advice, and support from occupational health practitioners was considered important for both line-managers and staff alike. Occupational health input was considered particularly important for members of staff with underlying health conditions who were not required to shield or who were returning to work after a period of shielding to ensure their needs were assessed and addressed appropriately.
- **joint working with staff networks and employment partnerships** – ongoing communication and joint working with established networks, employment partnerships, and individual Trades Unions was considered important for several reasons. Firstly, they were able to use their insights to advise NHS bodies on local approaches to rolling-out the Risk Assessment Tool and supporting staff wellbeing. Secondly, they played an important role in encouraging their members to complete the Risk Assessment Tool. Thirdly, they supported individual members of staff to complete the Risk Assessment Tool and, in some cases, provided advocacy and mediation for and on behalf of their members.

- **identifying staff champions** – identifying and utilising staff champions was considered important to provide encouragement, support, and reassurance to particular groups of staff at higher risk. Indeed, staff champions proved to be particularly important in NHS bodies that did not have the relevant staff networks in place. In these bodies, staff champions were used to reach-out and support individuals and groups of staff that were unaware they were potentially at higher risk as they didn't or couldn't access the relevant information and/or they were sceptical and/or anxious about engaging with the risk assessment process.
- 32 Over 62,000 risk assessments were completed via ESR and the Learning@Wales platform across the NHS in Wales between June 2020 and April 2021¹⁷. Staff had to complete paper versions of the Risk Assessment Tool prior to its roll-out via ESR in June 2020. In October 2020, the Welsh Government asked NHS bodies to request all staff to complete the Risk Assessment Tool via ESR. Completion rates via ESR in individual NHS bodies are shown in **Exhibit 5**.
- 33 As **Exhibit 5** shows, there is considerable variation in completion rates via ESR. There are several reasons for this:
- completing the Risk Assessment Tool via ESR has not been mandated by all NHS bodies such as Cardiff & Vale and Swansea Bay University Health Boards;
 - staff in some NHS bodies that completed the paper-based Risk Assessment Tool when it was first rolled-out in May were not asked to repeat the assessment when it became available in ESR in June 2020;
 - some staff are unable to access their ESR as they either work in roles that do not require the use of a computer or they do not have general access to a computer at their place of work;
 - most NHS bodies have placed a greater focus on encouraging staff at higher risk to complete the Risk Assessment Tool rather than the workforce as a whole; and
 - evidence from the member surveys undertaken by the BMA suggests that some staff were unaware of any risk assessment at their place of work or had been told explicitly they did not need to be assessed¹⁸.

17 58,552 risk assessments have been completed via ESR and 3,770 have been completed via Learning@Wales between 15 June 2020 and 8 April 2021. Individuals that have completed the Risk Assessment Tool more than once via the ESR are counted more than once in the data. (Source: NHS Wales Shared Services Partnership)

18 The BMA asked its members: 'Have you been risk assessed in your place of work to test if you might be at increased risk from contact with Coronavirus patients in your current role?' The proportion that stated they were not aware of any risk assessment in their place of work was 33% (70 of 211) and 35% (61 of 175) in July and August 2020 respectively. The proportion that stated they had been told explicitly they did not need to be assessed was 7% (15 of 211) and 6% (11 of 175) in July and August 2020 respectively.

Exhibit 5: completion rates as recorded in ESR by NHS body

NHS Body	Number of recorded assessments	% of staff with a completed assessment
Aneurin Bevan University Health Board	3,071	24%
Betsi Cadwaladr University Health Board	19,195	52%
Cardiff & Vale University Health Board	857	5%
Cwm Taf Morgannwg University Health Board	15,487	58%
Health Education and Improvement Wales	134	29%
Hywel Dda University Health Board	6,965	48%
Powys Teaching Health Board	1,789	48%
Public Health Wales	1,019	73%
Swansea Bay University Health Board	174	2%
Velindre NHS Trust	6,716	81%
Welsh Ambulance Services Trust	3,145	67%

Source: NHS Wales Shared Services Partnership (15 June 2020 - 8 April 2021)

- 34 Whilst low completion rates via ESR does not necessarily equate to low use of the tool, it is difficult to know how many staff across the NHS in Wales have actually completed the Risk Assessment Tool due to the variable data collection and monitoring arrangements introduced by NHS bodies when it was launched.
- 35 We found that all NHS bodies adopted the 'hierarchy of control' approach to protect and support staff at higher risk from COVID-19. Under this approach, NHS bodies identified and utilised the most suitable measures from their wider suite of wellbeing arrangements to meet the individual needs of members of staff as identified through the Risk Assessment Tool.

These measures included:

- **engineering and administrative controls** – all NHS bodies put a range of engineering and administrative controls in place to safeguard staff at higher risk who were unable to work from home because of their role, and to support staff at higher risk returning to the workplace after a period of shielding. These included creating ‘COVID-19 secure settings’ (areas that posed a lower level of risk) by segregating COVID-19 and non-COVID-19 care pathways; staggering shift start and end times to reduce congestion; recalling staff on a rotational basis to limit the number of people in the workplace; and offering a phased return to the workplace.
- **personal protective equipment (PPE)** – PPE was provided in line with agreed guidelines to reduce or remove any residual risk to staff not eliminated by other measures. As stated in the Auditor General’s report titled Procuring and Supplying PPE for the COVID-19 Pandemic, Shared Services, in collaboration with other public services, overcame early challenges to provide health and care bodies with the PPE required by guidance without running out of stock at a national level. However, the report also acknowledges that some frontline staff have reported that they experienced shortages of PPE and some felt they should have had a higher grade of PPE than required by guidance.
- **substitution measures** – working from home was not considered a viable option for all members of staff at higher risk. For some members of staff, such as those living with an abusive partner, working from home could potentially have had a greater negative impact on their overall health and wellbeing. As a result, NHS bodies put arrangements in place to enable and support staff in these situations to work in ‘COVID-19 secure settings’. For members of staff unable to perform their normal duties from home due to the nature of the work, NHS bodies put arrangements in place to enable them to work in ‘COVID-19 secure settings’ or to be redeployed to other suitable roles which they could undertake either from home or in ‘COVID-19 secure settings’ with additional support, such as retraining.
- **elimination measures** – all NHS bodies put arrangements in place to enable and support the majority of staff at higher risk to work from home, particularly during official periods of shielding. Most staff at higher risk were also supported to continue working from home when shielding periods ended if this was considered appropriate and safe to do so, and if the arrangement worked effectively for both the employer and employee.

- 36 All NHS bodies also encouraged and supported staff at higher risk to access mental health and psychological wellbeing services to help them adjust to new ways of working and/or manage any anxieties or worries they experienced. Detailed guidance was also provided to line-managers on how to provide effective support to staff at higher risk during the pandemic. As NHS bodies move towards the recovery period, they should continue to engage with staff at higher risk to evaluate the impact of the support and interventions they are providing and amend or improve their arrangements as necessary.
- 37 We found that there are a number of advantages and disadvantages to the Risk Assessment Tool, as follows:

Advantages of the Risk Assessment Tool

- the tool has ensured consistency, reduced variability, and facilitated the sharing of learning across the NHS;
- the format of the tool is simple, easy to use, and enables staff to focus on the main factors which may place them at greater risk;
- the tool helps managers appreciate the importance of addressing risks to staff in a timely and sensitive manner as well as the importance of being a compassionate and supportive manager;
- the process, if done correctly, provides reassurance to staff and gives assurance to managers and leaders that staff risks are being managed appropriately;
- the tool has galvanised organisations into adopting holistic approaches to managing staff risks; and
- the tool has generated a greater awareness and understanding of the needs of certain groups of staff, particularly those underrepresented within existing organisational structures.

Disadvantages of the Risk Assessment Tool

- the tool has made some staff feel ‘targeted’ or ‘singled out’ for special treatment;
- there have been some concerns about the use of the acronym BAME (Black, Asian, and Minority Ethnic) in the tool because it places a greater emphasis on certain ethnic minority groups (Asian and Black) and exclude others (Mixed, Other and White ethnic minority groups);
- there have been some concerns that the tool’s scoring matrix does not give sufficient weighting to certain risk factors, such as ethnicity and Type 1 diabetes;
- the tool and process have been seen and treated as a ‘tick box exercise’ by a small number of managers and members of staff; that is, the tool was completed to maintain compliance, but no real action was taken in response to the score;

- the tool does not pick-up the whole picture in one place for all staff, particularly those required to complete other risk assessments (eg stress risk assessment); and
- the ongoing development and evolution of the tool has led to a sense of 'risk assessment fatigue' amongst some members of staff.

Maintaining oversight of staff wellbeing arrangements

- 38 At an operational level, we found that all NHS bodies had staff wellbeing planning cells/groups in place as part of their emergency command and control structures with responsibility for planning and overseeing the delivery of local staff wellbeing provision. These planning cells/groups were tasked with working with other relevant cells/groups, such as those with responsibility for PPE and staff communication and engagement, to ensure a co-ordinated approach to supporting staff wellbeing.
- 39 These planning cells/groups were also responsible for monitoring COVID-19 workforce related risks and indicators and escalating key concerns and issues to the relevant group(s) within the emergency command structure as appropriate. Whilst the majority of these planning cells/groups monitored similar indicators, such as absence rates due to illness or shielding, we found that only a small number were actively monitoring risk assessment completion rates. Furthermore, we found that only NHS body had arrangements in place at an operational level to assess and monitor the quality of completed risk assessments.
- 40 At a corporate level, we saw evidence in most NHS bodies of good flows of information to boards and committees to provide assurance and enable effective oversight and scrutiny of all relevant staff wellbeing risks and issues during the pandemic. However, we found there was scope across most NHS bodies to strengthen the arrangements for reporting risk assessment completion rates and providing greater assurances to boards and committees around the quality of completed risk assessments.
- 41 We found that the crisis generated a greater awareness at board-level in all NHS bodies around the importance of supporting staff wellbeing and, in particular, the importance of understanding and addressing the needs of particular groups of staff. In some NHS bodies, this led to the creation of new staff networks and advisory groups for specific groups of staff which have traditionally been underrepresented within existing corporate structures. However, one Health Board has taken this further by establishing an Advisory Group for staff from ethnic minority groups as a formal sub-group of the board to ensure a stronger voice and involvement within the organisation for black, Asian, and minority ethnic staff. Although the Advisory Group reports formally via the Health Board's Chair, the Advisory Group's Chair and Vice-Chair are invited to attend all board meetings.

Key challenges and opportunities for the future

- 42 NHS staff at all levels have shown tremendous resilience, adaptability, and dedication throughout the pandemic. However, they have also experienced significant physical and mental pressures due to the unprecedented challenges presented by the crisis, including:
- working longer hours and managing greater workloads;
 - operating in rapidly changing, demanding, and intensive environments;
 - managing fears, concerns, and anxieties about the risks to their own health as well as the risks to the health of their loved ones;
 - seeing patients, colleagues and/or family and friends falling seriously ill or even dying with COVID-19;
 - contracting COVID-19, and, for some, managing the longer-term effects of the virus (long-COVID);
 - adjusting to new ways of working and, in some cases, adjusting to different roles;
 - dealing with the resulting impact of shielding or working from home in terms of feeling isolated and alone and/or feeling guilty about not being able to support colleagues on the front-line; and
 - adapting to wider social restrictions and managing their associated impacts, such as delivering home schooling, and providing enhanced care for elderly or vulnerable relatives.
- 43 The crisis has undoubtedly had a considerable impact on the wellbeing of staff. For example, surveys undertaken by RCN Wales, whilst not representative of the NHS workforce as a whole, highlight the impact of the pandemic on staff wellbeing. The results of the survey undertaken in June 2020, which received 2,011 responses, found:
- 75.9% stated their stress levels had increased since the beginning of the pandemic;
 - 58.4% stated that staff morale had worsened since the beginning of the pandemic; and
 - 52% stated they either strongly agreed or agreed with the statement ‘I am worried about my mental health’.
- 44 However, the longer-term impacts cannot and should not be ignored or underestimated. Indeed, the surveys undertaken by the BMA, whilst not representative of the NHS workforce as a whole, point to some of the challenges that remain in relation to staff wellbeing:
- in April 2021, 45% (126 of 279) of members stated they were suffering from depression, anxiety, stress, burnout, emotional distress, or other mental health conditions relating to or made worse by their place of work or study compared with 40% (298 of 735) in April 2020.

- in April 2021, 33% (92 of 279) of members stated their symptoms were worse than before the start of the pandemic compared with 25% (185 of 735) in April 2020.
 - in April 2021, 36% (72 of 281) of members stated their current levels of health and wellbeing were slightly worse or much worse compared with that during the first wave between March and May 2020. However, it should be noted that this is an improvement when compared with the results in October and December 2020, namely 43% (205 of 480) and 48% (224 of 467) respectively.
 - on a scale of one to five (where 1 equalled very low/negative, and 5 equalled very high/positive), 32% (74 of 229) of members scored their morale as either a 1 or 2 in April 2021. However, it should be noted that this is an improvement when compared with the results in October and December 2020, namely 45% (203 of 454) and 47% (195 of 402) respectively.
 - in April 2021, 56% (157 of 282) of members stated their current level of fatigue or exhaustion was higher than normal from working or studying during the pandemic. However, it should be noted that this is an improvement when compared with the results in October and December 2020, namely 60% (286 of 480) and 64% (297 of 467) respectively.
- 45 Surveys and work undertaken by other professional bodies also highlight the increased stress, exhaustion, and burnout experienced by staff. They also point to the increased risk to staff of developing longer term physical and psychological problems without ongoing support and opportunities for proper rest and recuperation.
- 46 Trends in sickness absence rates also point to some of the challenges that NHS bodies have faced during the crisis. After a gradual fall during 2015 to 2017, the sickness absence 12-month moving average has been rising and was 6.0% over the last year, mainly due to an increase from the April to June 2020 quarter during the pandemic. For the quarter ending 31 December 2020¹⁹:
- the sickness absence rate was 6.4%, up 1.3 percentage points compared to the quarter ending 30 September 2020.
 - the NHS bodies with the highest sickness rates were Cwm Taf Morgannwg University Health Board at 8.5%, Welsh Ambulance Services NHS Trust at 8.4%, and Swansea Bay University Health Board at 8.3% (compared with 5.6%, 5.9%, and 6.2% respectively for the quarter ending 30 September 2020).

19 Source: [StatsWales](#)

- the staff groups with the highest sickness absence rates were the Ambulance staff group at 9.6%, the Healthcare Assistants and Support Workers staff group at 9.2%, and the Nursing, Midwifery and Health Visiting staff group at 8.1% (compared with 6.2%, 7.4%, and 6.5% respectively for the quarter ending 30 September 2020).
- 47 In the short-term, NHS bodies will face challenges in terms of managing seasonable absences which tend to be higher in the winter months as well as dealing with absences caused by staff requiring to self-isolate by the Test, Trace, Protect Service. However, they will also potentially face future challenges in terms of managing absence rates attributed to the longer-term physical and mental conditions caused by the pandemic unless they maintain and build upon their staff wellbeing arrangements.
- 48 The COVID-19 pandemic has undoubtedly brought staff wellbeing into sharper focus at both a national and local level. It has also shown that NHS bodies can respond rapidly and effectively to the challenges and pressures presented by a crisis. However, there is no doubt that the NHS workforce in Wales, which was already under pressure prior to the pandemic, is more emotionally and physically exhausted than ever before after the significant and unprecedented efforts of the last 18 months.
- 49 A continued focus on providing accessible wellbeing support and services and maintaining staff engagement, therefore, is going to be needed in the short-term to ensure NHS bodies address the ongoing impact of the pandemic on the physical health and mental wellbeing on their staff. Without such a focus, there is a risk the impact of the pandemic on the physical and mental health of staff will grow which could, in turn, compromise the ability of NHS bodies to deal effectively with the combined challenges of recovering and restarting services, continuing to respond to the COVID-19 pandemic, and also managing seasonal pressures which are expected to be greater this winter than they were last year.
- 50 However, the COVID-19 pandemic has also created an opportunity to rethink and transform staff wellbeing for the medium to longer term. Whilst supporting the wellbeing of the NHS workforce is more necessary than ever when the service needs to respond to a crisis, investing appropriately in staff wellbeing on an ongoing basis is equally as important as a healthy, engaged, and motivated workforce is essential to the delivery of safe, high-quality, effective, and efficient health and care services.
- 51 We have prepared a checklist to accompany this report which sets out some of the questions NHS Board Members should be asking to obtain assurance that their respective health bodies have effective, efficient, and robust arrangements in place to support the wellbeing of their staff.



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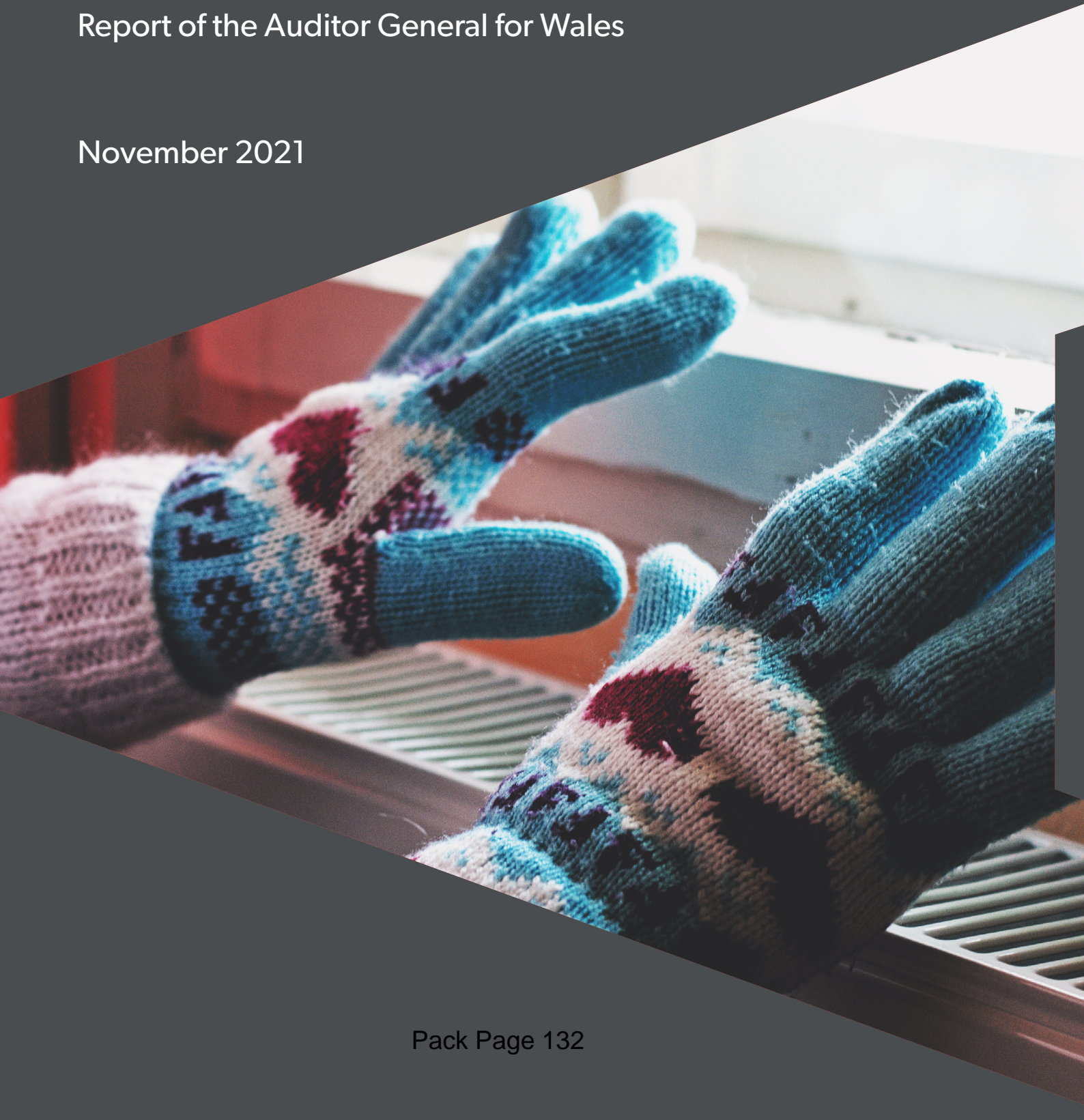
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The Welsh Government's Warm Homes Programme

Report of the Auditor General for Wales

November 2021



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Key messages

Context

- 1 This report looks at the Welsh Government's management of the current iteration of the Warm Homes Programme (the Programme). The Programme comprises the Nest and Arbed schemes that have been a key part of the Welsh Government's strategic ambitions to reduce and ultimately eradicate fuel poverty. This report follows from our 2019 report on Fuel Poverty which gave a broad overview of the Welsh Government's ambitions and progress at that point.
- 2 This report looks specifically at the Welsh Government's most recent contractual arrangements with its appointed Scheme Managers to improve the energy performance of individual homes. It also considers the Welsh Government's quality assurance arrangements. **Appendix 1** describes our audit approach and methods. **Appendix 2** provides more detail about the Nest and Arbed schemes.
- 3 The Welsh Government published its new fuel poverty plan in March 2021. The current Warm Homes Programme is coming to an end over the next two to five years. The Arbed scheme ended in early November 2021. The Welsh Government has reiterated its commitment to tackling fuel poverty and decarbonising homes in the Programme for Government 2021 to 2026. It is currently considering how the Programme will operate in future. We have focused this report on the key issues and lessons for the Welsh Government to take forward into the next iteration of the Programme.

Overall conclusion

- 4 The Welsh Government has several issues to resolve as it transitions to the next iteration of its Warm Homes Programme. The types of heating systems offered to households will need to shift to newer and greener technologies. But this is likely to come at an additional cost. The Welsh Government will also need to be clearer about the core purpose of Nest and consider the continued viability of the area-based approach used by the Arbed scheme given its under-delivery. Whatever the future of the Warm Homes Programme looks like, contracts will need to be tightened and oversight strengthened to ensure value for money.

Key findings

- 5 Given its ambitions to achieve net-zero carbon emissions, the Welsh Government will need to rethink the energy efficiency measures offered. Both schemes rely heavily on installing fossil fuel heating, particularly gas boilers. New, efficient boilers may produce less carbon than older ones but are not the most environmentally effective option. However, the main alternatives cost more. Without a substantial increase in funding, fewer properties would benefit from the Programme as the cost per home would increase.
- 6 The Welsh Government will need to be clearer about the core purpose of any successor scheme to Nest and who it intends to help. The scheme has shifted from its original purpose of tackling fuel poverty in the round. It has increasingly focussed on replacing broken or inefficient boilers for people on means tested benefits. The way the scheme has evolved means some funds are being prioritised to people who may not be fuel poor.
- 7 In any replacement, the Welsh Government will also need to review the viability of the area-based approach used by the Arbed scheme, given under-delivery. The scheme experienced significant delays and considerably fewer fuel poor households received support than the Welsh Government wanted. While COVID-19 was a factor, the scheme was some way behind targets before the pandemic hit. The scheme aimed to target clusters of very energy inefficient homes in deprived areas. However, it is not clear how many such clusters still exist.
- 8 The Welsh Government made changes to the Arbed contract to speed up delivery, but this had limited impact. The Welsh Government decommitted £7.5 million of European Structural Funds due to Arbed being unable to spend its budget. The Welsh Government was unable to shift its funding to the Nest scheme as the provider did not have capacity to increase delivery.
- 9 Future contracts need to be tightened to seek greater consistency on costs and incentivise better value for money. In letting both the Nest and Arbed contracts, only limited benchmarking was undertaken. There are significant differences in how much the two Scheme Managers charge the Welsh Government to supply and fit the same energy efficiency measures. There are also risks to value for money from the way the contracts specify what work contractors need to do to get paid. In particular, contractors can potentially claim full fixed payments for lighting or water measures when only installing a few light bulbs or aerators on taps as part of a wider package of energy efficiency measures.

- 10 Future schemes would benefit from increased scrutiny of delivery, closer monitoring of contract compliance (in particular, checking that disaster recovery plans are in place at the start of the contract rather than confirming much later on) and better management information. The Welsh Government's oversight of the Programme has been hampered by gaps in, and inaccuracy of, management information.
- 11 Under previous iterations of the programme, there had been problems with poor quality installations causing damage to people's homes. The Welsh Government learnt lessons and hired an independent company to do checks on installations as well as verifying performance data. Until recently there has been a backlog of inspections to check the quality of installations. Although the COVID-19 pandemic has contributed to the delays the backlog had built up before this. Also, some other elements of the quality assurance and audit function have not been fully delivered to date.



The Welsh Government's Warm Homes Programme is a key part of efforts to tackle fuel poverty among some of our most vulnerable citizens. The recent surge in energy prices as we approach the cold winter months only serves to emphasise the importance of such support.

Future schemes will need to be greener, clearer and more tightly managed. The big challenge facing the Welsh Government is how it balances its climate change ambitions, while also supporting the most vulnerable fuel poor households that have traditionally relied on less expensive, but higher carbon emitting, gas heating to warm their homes.

Adrian Crompton
Auditor General for Wales



Key facts

144,504

The estimated number of households in Wales at risk of being in fuel poverty¹



155,000

The estimated number of households in Wales that are fuel poor²

Nest 81% Arbed 94%

The percentage of households getting a new main heating system installed that receive a gas boiler (October 2018 to March 2021 for Arbed and April 2018 to March 2021 for Nest)

£7.5

million

EU funding decommitted from Arbed due to under-delivery



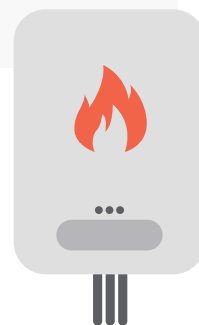
£46 million

Original budget for Arbed for the period May 2018 to May 2021

£90

million

Budget for Nest for the period April 2018 to March 2023



16,042

Number of homes that received free energy efficiency measures in the Programme between April 2018 and March 2021



NOV

3 November 2021

When Arbed scheme ended

MAR

31 March 2023

When the current Nest Scheme ends³

Notes:

1 Welsh Government, Tackling Fuel Poverty 2021 to 2035, March 2021. This is measured as any household that would have to spend between 8% and 10% of their income on maintaining a satisfactory heating regime.

2 Welsh Government, Fuel poverty estimates for Wales, 2018: revised, December 2019. This is measured as any household that would have to spend more than 10% of their income on maintaining a satisfactory heating regime. Any household having to spend more than 10% is defined as being in severe fuel poverty.

3 With option to extend up to the end of March 2026.

Recommendations

Our recommendations should be read and considered alongside the recommendations in our 2019 report on fuel poverty, especially those that related to the funding and eligibility for the Arbed and Nest schemes.

Recommendations

Strategic and policy alignment

- R1** For future schemes, the Welsh Government should review the energy efficiency measures that are available to ensure they align with its ambitions to reduce carbon emissions and ensure the cost implications of switching to greener measures are fully budgeted for.
- R2** The Welsh Government should clarify the core purpose of the Nest or any successor scheme and whether it is about replacing broken boilers for poorer households or providing wider support to those most at risk of being in fuel poverty.
- R3** The Welsh Government should review whether the area-based delivery approach used by the Arbed scheme remains viable or needs significant amending given under-delivery.
- R4** The Welsh Government should ensure under future iterations of the Warm Homes Programme that contracts are flexible enough to shift funding and capacity between schemes to maximise the overall delivery of the Programme.

Recommendations

Contracting arrangements

- R5** Before developing the next iteration of the Warm Homes Programme, the Welsh Government should carry out a full review of the lessons learnt from management of the current contracts and develop a clear plan for applying those lessons in the next iteration. Based on our review, we expect those lessons to include the need to:
- carry out appropriate benchmarking between bidders and to the current market costs of energy efficiency measures to ensure consistency in pricing and obtain value for money;
 - be clear on the expectations of Scheme Managers in relation to the industry standard specifications for the installation of energy efficiency improvement measures;
 - ensure that Scheme Managers provide their disaster recovery plans as required by the contracts;
 - more closely monitor performance with more complete and accurate management information; and
 - obtain more timely and comprehensive support from its independent external quality assurance arrangements.



Strategy and policy alignment

01

1. In future, the Warm Homes Programme will need to be greener and have a clearer purpose

- 1.1 This part of the report looks at the key choices the Welsh Government will need to make about the overall shape of the next iteration of the Programme. In particular, it looks at some of the challenges of balancing different social justice aspirations and ambitions to radically reduce carbon emissions across Wales, and the effectiveness of an area-based approach to delivery.

The Welsh Government will need to rethink the measures offered given its ambitions for reducing carbon emissions

- 1.2 The Nest and Arbed schemes are designed to lower energy bills for households most likely to be in fuel poverty by installing energy efficiency measures, including new heating systems where appropriate, in the least energy efficient homes. The Welsh Government contracts out the management of the schemes to its 'Scheme Managers'. For Arbed this is Arbed am Byth and for Nest this is British Gas¹.
- 1.3 Arbed was an area-based scheme which started in 2009. Initially, the Welsh Government intended the current iteration of scheme to run from May 2018 to May 2021, with a total budget of £46 million and an option to extend the contract for up to a further two years. It extended the scheme until November 2021 but the contract has now ended (**paragraph 1.31**). The Welsh Government decided not to extend the contract further and is working through contract closedown arrangements with the Scheme Manager. It has not decided what, if anything, will replace the scheme. Nest is a demand-led scheme which started in 2011. The current iteration of the scheme started in April 2018 and runs initially until March 2023, with a total budget of £90 million.
- 1.4 **Exhibit 1** sets out the eligibility criteria for both schemes. In our 2019 report on fuel poverty, we identified that there were lots of fuel poor households who do not qualify for Nest and may not live in an area covered by Arbed. One particular challenge is that almost half of fuel poor households live in band D rated properties, which are not normally eligible for Nest and were not the primary target of the Arbed scheme. Also, more than two-thirds of fuel poor households are not on means-tested benefits so do not qualify for Nest, with the exception of those with particular health conditions who are also on a low income.

1 For Nest, there is also an energy advice line, which manages referrals into the scheme as well as providing advice. This service is sub-contracted to the Energy Saving Trust. We have not focussed on this aspect of the Nest service as part of this audit.

Exhibit 1: Eligibility criteria for the Nest and Arbed schemes

Scheme	Eligibility criteria ¹
Nest	<p>Households must be receiving means-tested benefits and have an Energy Performance Certificate (EPC)² rating of E, F or G.</p> <p>or</p> <p>Households have a member with a chronic respiratory, circulatory or mental health condition, fall within the low-income thresholds which vary by household type, and have an EPC rating of D, E, F or G.</p>
Arbed	<p>All households in an area targeted by the Scheme Manager were potentially eligible for support. The contract did not preclude social housing from receiving support. However, neither the Welsh Government nor the Scheme Manager expected social housing to be targeted. It was a Welsh Government requirement that necessary investment by social landlords (housing associations and local authorities) was not replaced by the funding through the scheme.</p> <p>The Scheme Manager was required to target deprived areas with clusters of homes with EPC ratings of E, F or G.</p>

Notes:

- 1 For Nest, we have focussed on the eligibility for energy efficiency measures. There is also an energy efficiency advice line, funded through Nest and managed by the Energy Savings Trust, which anybody can ring to get advice.
- 2 The UK government's recommended system for measuring the energy efficiency rating of residential dwellings is called the Standard Assessment Procedure (SAP). It uses an overall score of 1-120, with 1 indicating the less energy efficient and 120 being the highest. SAP scores are then banded to give an Energy Performance Certificate (EPC) rating A-G, A being the highest and G the lowest.

Source: Welsh Government

- 1.5 Both Scheme Managers can install an identical range of measures in households as part of an energy efficiency improvement package². These could be a single measure or a combination of measures. The measures available vary widely in cost and the energy efficiency improvement they can generate.

- 2 The energy efficiency measures range from relatively low-cost measures which produce smaller energy efficiency improvements such as low energy lightbulbs up to high-cost measures such as replacement central heating systems which can generate more substantial improvements. An assessment is carried out to recommend the energy efficiency measures which are most likely to improve the overall energy efficiency of the house. For the Arbed scheme, the assessment was carried out by an independent assessor. For the Nest scheme, it is carried out by a British Gas employee.

- 1.6 The Arbed scheme has installed a wider range of measures than Nest. Between April 2018 and March 2021, Nest installed measures in 12,934 homes, of which 12,863 (99%) received a new heating system. Between October 2018 and March 2021, Arbed installed measures in 3,108 homes, of which 2,095 (67%) received a new heating system, with 1,777 (57%) homes receiving solar panels and 415 (13%) receiving loft insulation. In comparison, Nest did not install any solar panels and installed loft insulation in 827 (6%) properties.
- 1.7 The Scheme Managers can install one main heating system per household as part of the energy efficiency improvement package. Under both schemes, where a main heating system is installed, it has primarily been one that runs on fossil fuel, in most cases natural gas (**Exhibit 2**).

Exhibit 2: main heating systems installed by Nest and Arbed by fuel type

Type	Nest scheme		Arbed scheme	
	Number	%	Number	%
Natural gas	10,408	80.9	1,976	94.3
Oil	1,565	12.2	75	3.5
Electric	583	4.5	35	1.6
Liquified petroleum gas	260	2.0	9	0.4
Air source heat pumps	3	0.0	0	0.0
Solid fuel	44	0.3	0	0.0
Total	12,863	100	2,095	100

Notes:

1 Figures for Arbed are from October 2018 to March 2021 as delivery only began in October 2018. Figures for Nest are from April 2018 to March 2021.

2 Figures do not add up to 100% due to rounding.

Source: Audit Wales analysis of Welsh Government data

- 1.8 The heavy reliance on fossil fuel boiler replacement is not sustainable. While replacing a gas boiler with a more efficient one delivers some carbon savings, even an efficient fossil fuel boiler generates significant amounts of carbon. The Welsh Government is aware that the contribution of the schemes to carbon reduction is limited but it is unable to fully measure the precise impacts due to problems with the quality of the data (**paragraph 2.16**).
- 1.9 The Welsh Government has committed to net-zero carbon emissions by 2050 with an interim target to reduce carbon emissions by 63% in Wales by 2030. The UK government has set out its intentions to phase out all gas boiler installations by 2030. The Future Generations Commissioner recently recommended³ a ban on new fossil fuel heating for all homes by no later than 2030.
- 1.10 It is therefore clear that the next phase of the programme will need to be a transitional one that shifts from gas boilers to greener technologies. This is likely to mean more use of measures such as air source heat pumps which have only been installed three times (all on the Nest scheme) between April 2018 and March 2021 (**Exhibit 2**).
- 1.11 There is a significant cost implication from shifting to these technologies. While increased demand may lead to reduced prices, air source heat pumps currently cost around three to five times⁴ more than a gas boiler. Therefore, if used more widely, fewer homes would be able to receive support unless additional funding is made available or costs reduce significantly. The Future Generations Commissioner has called for a doubling of Welsh Government expenditure on the Warm Homes Programme as part of a wider investment in retrofitting homes across Wales⁵. However, even that level of increased funding could see fewer households helped in future than is currently the case. The Commissioner suggests that further funding to tackle fuel poverty should be made available by the UK government.
- 1.12 Any future schemes which shift the focus towards the use of greener technologies may face a challenge in convincing householders to accept alternatives to traditional heating systems. Some behaviour change will also be required for the public to familiarise themselves with using new technologies.

3 Future Generations Commissioner for Wales, A Fit for the Future Programme for Government, May 2021

4 Analysis of the average price of an air source heat pump supplied by both Scheme Managers compared to the average price of a gas boiler.

5 Future Generations Commissioner, Homes Fit for the Future: The Retrofit Challenge, July 2021

The Welsh Government needs to be clearer about the core purpose of Nest or any successor scheme and who it intends to help

- 1.13 By restricting eligibility to the most energy inefficient homes, the Welsh Government aimed to ensure that the Nest scheme focused its limited resources on those most at risk of being in fuel poverty. However, the Welsh Government has decided that the Scheme Manager should interpret the energy efficiency rating of a house in a way that allows more people to qualify for support, potentially including many who were not fuel poor.
- 1.14 To assess if a household is eligible for support through Nest, the Scheme Manager carries out an assessment of the existing overall energy efficiency of a property. Where a household has a broken boiler, it is not fixed (**paragraph 2.11**). The Scheme Manager, in effect, assumes the house is being heated by electric heaters⁶. As a result, the energy performance rating of the home will drop significantly compared to the rating before the boiler broke. This means that households that were not eligible when their boiler was working, because the energy efficiency rating of their house was D or above, become eligible for a new boiler. The Welsh Government was not able to tell us how many households got a new boiler in these circumstances.
- 1.15 By providing a new boiler for poorer households that have no hot water or heating, the Welsh Government is prioritising a social justice aim. However, helping poorer households with broken boilers was never the core aim of Nest. The scheme was designed to reduce and mitigate the effects of fuel poverty.
- 1.16 There is a risk that the shift towards focussing on boiler replacements diverts efforts from actively trying to reach out to fuel poor households. Most people experiencing fuel poverty will not have a broken boiler and therefore do not have an urgent need to seek support from Nest. With sufficient demand from people with broken boilers to meet scheme targets, there is little incentive for the Welsh Government and the Scheme Manager to seek out these fuel poor households.
- 1.17 There is also a risk that people do not have equitable access to the scheme because of the way it has evolved. Some people with broken boilers who live in a more efficient home and who read the eligibility criteria may reasonably believe they are not eligible.

6 Industry software used by Scheme Managers when assessing the EPC rating of a boiler allows one of only two choices, either the boiler is working or not working. If the latter option is selected, the software assumes the home is electrically heated.

- 1.18 The approach to interpreting the energy efficiency rating has also had a significant impact on the reported outcomes of the scheme. It has meant that households who were not in fuel poverty before their boiler broke became classed as being fuel poor due to the downgraded energy performance rating. They were therefore counted as being taken out of fuel poverty by the scheme. It also meant that the baseline rating for the energy efficiency of the home was artificially deflated, meaning the reported 'before and after' energy efficiency gains and carbon reduction from the intervention were significantly overstated. This situation helps explain why, in our 2019 report on fuel poverty we found that Nest was reporting far higher energy efficiency improvements than other similar programmes.
- 1.19 At the Welsh Government's request, in April 2021 the Scheme Manager changed the methodology for reporting the impact of installations so that the reported benefits will be more accurate and in line with how the Arbed Scheme Manager is reporting its uplift. This will mean that if a household's boiler is not working, the Scheme Manager will assess the starting EPC of a household based on what it was before the boiler broke down. While this change has been made in relation to reporting energy efficiency uplifts, eligibility for the scheme will still be based on the downgraded EPC rating.
- 1.20 In replacing the Nest scheme in future, we think that the Welsh Government needs to be clearer as to the core purpose of the scheme. In particular, it needs to be clear as to what problem it is seeking to solve: whether it is a scheme to tackle fuel poverty or a scheme to replace broken boilers for people on low incomes. It may be that the Welsh Government will need two distinct approaches, with distinct criteria, marketing and performance measures if it wants to address both of these problems.

The Welsh Government needs to consider the future viability of Arbed's area-based approach given under-delivery

The restrictions of the area-based approach mean Arbed struggled to identify the households it was supposed to benefit

- 1.21 In our previous work on fuel poverty, we highlighted that the current Arbed scheme had encountered a significant underspend in the first year of the contract. We recommended that the Welsh Government should fully explore the reasons behind the underspend to establish if there were fundamental issues with the area-based approach. Under-delivery continued in years two and three of the contract resulting in fewer homes being supported than intended (**paragraph 1.27**).

- 1.22 The Welsh Government has not formally reviewed whether the area-based approach has caused fundamental problems with delivery of Arbed, but has commissioned an overall evaluation of the scheme due in early 2022. There were some other factors that contributed to delays, including Storm Dennis in February 2020 and the COVID-19 pandemic during which the Scheme Manager paused all work for around four months. Nonetheless, the Welsh Government acknowledges that the area-based approach to tackling fuel poverty could have been a significant contributory factor.
- 1.23 The area-based approach requires the Scheme Manager to work with local authorities to identify geographical clusters of properties most likely to be in fuel poverty. They consider a range of datasets including levels of deprivation and the overall energy performance rating of properties.
- 1.24 At the start of the contract in May 2018, the Welsh Government wanted the Scheme Manager to target properties with the poorest energy efficiency (EPC ratings of E, F and G) and also achieve an energy efficiency uplift to an EPC C or above. The Welsh Government required the Scheme Manager to achieve an uplift to EPC C from EPC E, F or G in 80% of all homes supported. However, in practice the Scheme struggled to find clusters of properties that met the criteria for being in a deprived area, have an EPC rating of E, F or G and are capable of being improved to a rating of C within the spending cap. Between May 2018 and September 2019 only 9% of the homes receiving energy efficiency measures were improved to an EPC rating of C or above from an E, F or G rated starting point. However, the situation improved after this (**paragraph 1.29**).
- 1.25 Part of the problem was a lack of up-to-date data on the energy efficiency of homes in Wales. The Scheme Manager initially identified potential clusters of properties with EPC ratings of E, F or G by using UK government data, which shows the EPC rating of houses primarily from when they were last sold. However, before carrying out any work at a property, the Scheme Manager was required to carry out their own home energy assessment to obtain the current EPC rating. At this point, many homes initially identified were found to have higher energy efficiency ratings due to improvements that had already been made. More broadly, because of the lack of an up-to-date EPC on many properties it was also unclear how many clusters of properties with EPC ratings of E, F or G still exist across Wales.

The Welsh Government tried to improve delivery by amending the Arbed contract but the scheme still under-delivered and benefited from less EU funding than planned

- 1.26 We recommended in our previous report on fuel poverty that if there were fundamental issues with the area-based approach, the Welsh Government should look at options for changing the funding balance between Nest and Arbed. However, the Welsh Government has not shifted funding to Nest because Nest was unable to increase the number of properties it supported within existing capacity.
- 1.27 To try and improve delivery for Arbed, the Welsh Government reprofiled the delivery targets. The scheme got off to a slow start and the Welsh Government reprofiled the target for year one, with the shortfall to be made up in years two and three. However, following further reprofiling of the targets it became increasingly clear to the Welsh Government that Arbed would be unable to make up the lost ground. In December 2019, the Welsh Government agreed a change to the contract with the Scheme Manager. This reduced the expectations placed on the Scheme Manager in two ways:
- the number of properties to be targeted over the life of the contract was reduced by 825 from 6,325 to 5,500, with a corresponding reduction to the management fees payable to the Scheme Manager; and
 - the target in relation to EPC ratings was replaced with a sliding scale of ambitions (**Exhibit 3**).
- 1.28 While the Scheme Manager still had to try and target E, F, G properties and improve them to a C, they were no longer held to account against the 80% target (**paragraph 1.24**), which the Welsh Government now considers to have been over-optimistic. However, the Scheme Manager still had to try and provide support to at least 51% of properties that have an EPC rating of E, F or G. There was a significant difference in the level of expected improvement to a home's energy efficiency between the top and bottom of the sliding scale. The further down the scale the improvement is, the lower the value for money and the smaller the benefit for the homeowner.

Exhibit 3: revised ambitions for Arbed delivery, from December 2019

The Scheme Manager will focus scheme delivery primarily, to the worst performing properties (G/F/E) within the chosen area by the following steps in order of prioritisation:

- a Target eligible EPC G/F/E rated properties where they may be improved to an EPC C-rating, with cost-effective and appropriate measures.
- b Target eligible EPC G/F/E rated properties where they may be improved by at least one EPC band (up to a C rating), with cost-effective and appropriate measures.
- c Target eligible EPC G/F/E rated properties where partnership funding is available and the property may be improved by at least ten SAP points, with cost-effective and appropriate measures.
- d Target eligible EPC D rated properties where they may be improved by one EPC band with cost-effective and appropriate measures.
- e Target eligible EPC D rated properties where they may be improved by at least ten SAP points, with cost-effective and appropriate measures and constitute a minority of properties treated within the relevant Arbed scheme¹.
- f Consider properties which do not fall into any of the above categories to be eligible for the Arbed scheme only where the Scheme Manager receives the Client's instruction prior to treatment.

Note:

¹ In this context, reference to the Arbed scheme relates to a geographical area being targeted and not the scheme as a whole.

Source: Welsh Government Contract Change Notice

1.29 Between October 2019 and March 2021, the proportion of properties that received energy efficiency measures and improved from an EPC starting rating of E, F or G to a C or above increased from 9% to 21% compared with the period April 2018 to September 2019. However, the overall proportion of homes achieving the uplift from EPC E, F or G was still significantly below the initial 80% target.

1.30 Meanwhile, the change to the contract had limited impact on Arbed's overall delivery. When the contract was changed in December 2019 the Welsh Government did not set a revised target for 2019-20. However, it did set a revised target of 1,700 for 2020-21 (Exhibit 4). This meant that in order to meet the overall revised target of 5,500 households, Arbed would have had to install measures in 3,655 homes during 2019-20. As at December 2019, Arbed had supported fewer than 2,000 households. We remain unclear why the Welsh Government thought that Arbed would deliver so much activity in the final months of the financial year. By the end of March 2021, the Scheme Manager was still 43% (2,378 properties) short of the revised contractual target of 5,500 properties.

Exhibit 4: homes provided with energy efficiency measures through the Arbed scheme, May 2018 to March 2021

Year	Initial target	Revised annual target after contract change notice in December 2019	Actual delivery	% under target (initial or revised where applicable)
2018-2019 ¹	1,397	N/A	145	90%
2019-2020	2,679	N/A ²	1,945	27%
2020-2021	2,249	1,700	1,032	39%
Overall Target	6,325	5,500	3,112	43%

Notes:

1 2018-19 only includes 11 months as the contract started in May 2018, although Arbed did not begin delivery until October 2018.

2 No formal target was set for the 2019-20 year but the default would have been 3,655 based on the overall revised delivery target of 5,500 minus the 2020-21 target of 1,700 and the 145 delivered in 2018-19.

Source: Welsh Government

- 1.31 In November 2020, the Welsh Government extended the Arbed contract by six months, to November 2021 from its initial end date of May 2021. The contract has now ended. The Welsh Government intended that the extension, combined with the earlier changes to the contract, would allow the Scheme Manager to get as close to the revised overall delivery target as possible. The Scheme Manager aimed to provide support to as many properties as it could during the extended contract period, while continuing to manage the impact of the COVID-19 pandemic.
- 1.32 As of 31 August 2021, approximately 3,704 properties had been supported. With only two months left of the contract, this suggested⁷ that the Scheme Manager would still not meet the revised delivery target by some distance at the end of the extended contract period. Figures for beyond 31 August were not available at the time of drafting this report.
- 1.33 The Arbed scheme has been supported in part by an allocation of EU funding; £22.8 million capital and £0.4 million revenue⁸. As of April 2021, the Welsh Government had only drawn down £6.6 million of capital EU funding. In April 2021, the Welsh Government decided to de-commit £7.5 million of the EU funding as a result of the reduced activity.
- 1.34 The final outturn position on the Arbed scheme costs and the balance of domestic and EU funding is still to be confirmed. The Welsh Government expects to spend around £19.5 million of its original £23 million domestic budget and to draw down just over £15 million of EU funding. The Welsh Government is confident it can claim the remaining £8.7 million of EU funding retrospectively in part for completed Arbed projects that were initially funded wholly by the Welsh Government.

7 This figure was provisional at the time of drafting. The Welsh Government estimated up to a further 350 properties had received support but the Scheme Manager had not invoiced the Welsh Government.

8 The majority of the £0.4 million revenue grant is used to cover some of the Welsh Government management of the Arbed scheme. The Welsh Government had drawn down approximately £0.2 million to April 2021.



Contracting arrangements

02

2. Contracts with providers and oversight by officials need strengthening to ensure value for money

2.1 This part of the report looks at the Welsh Government’s overall management of the contracting arrangements for the Nest and Arbed schemes in their current forms. In particular, it looks at how future contracts could be clearer and how oversight of the contracts and quality assurance arrangements can be strengthened.

Future contracts need to be tightened to align costs and set out expectations of contractors to incentivise better value for money

Benchmarking of energy efficiency measure costs

2.2 The energy efficiency measures both schemes can install are identical and must be fitted to the same safety standards. However, the actual products supplied and fitted may differ. While we would not necessarily expect the prices to be the same, there are some significant differences in what the Welsh Government pays the two Scheme Managers to supply and fit the same energy efficiency measures in predefined property types. At the extreme, there is a price difference of over £6,000 for the same measure. The Welsh Government has not carried out any work to explore the reasons for these variations to satisfy itself that it is getting value for money. **Exhibit 5** provides an overview of how the prices varied between Scheme Managers.

Exhibit 5: variation in Scheme Managers’ prices for supply of energy efficiency measures

Price variation	Count	Scale of price variation
Measures where the Arbed Scheme Manager’s pricing was more expensive for each property type	31	£1 to £4,542
Measures where the Nest Scheme Manager’s pricing was more expensive for each property type	14	£10 to £5,753
Measures where the highest cost Scheme Manager pricing for each property type was varied	8	£1 to £6,300

Note: the seven pre-defined property types are 1930s valleys house, 1970s high rise flat, 1950s onward low-medium high rise flat, pre-1930 semi-detached double fronted house, traditional cavity wall property post-1945, rural detached cottage and park home.

Source: Audit Wales analysis of Welsh Government data

- 2.3 When tendering for Scheme Managers, the Welsh Government invited interested bidders to provide prices for the supply and fitting of an identical and wide range of energy efficiency measures in each predefined property type. The Welsh Government compared costs between tender bids for each of the schemes. However, the comparison was limited due to the small number of bids received⁹. The Welsh Government did not compare the prices offered in the tender bids to market costs to obtain a broader understanding of their reasonableness.
- 2.4 As the Welsh Government awarded the Arbed contract later than the Nest contract, there was also an opportunity to compare costs between the bids submitted for the Arbed contract and the contract that had been already let for Nest. However, the Welsh Government did not do so.
- 2.5 The contract includes a profit-sharing arrangement. The Scheme Managers will share 50:50 any annual profits from either scheme over 6%. The Welsh Government received £848,000 in profit share from the Nest Scheme Manager for the 2019-20 financial year and a similar amount is anticipated to be paid to the Welsh Government for 2020-21. The Welsh Government received £393,000 in profit share from the Arbed Scheme Manager for 2019-20, with no profit share anticipated for 2020-21.

Use of lighting and water measures

- 2.6 Scheme Managers can install lighting measures and water measures, for which they get a fixed fee under the contract. The measures have been installed under both schemes but more under the Arbed scheme. The measures on their own provide relatively small improvements in the overall energy efficiency of a household but form part of a wider energy efficiency improvement package. When installing lighting measures, the Scheme Managers must undertake detailed safety checks¹⁰.

9 Two bidders submitted tenders for each scheme.

10 A competent person, as defined by industry standards, must first carry out a series of safety checks on the existing electrical circuits and potentially carry out upgrading works in accordance with the relevant industry standard.

- 2.7 We considered concerns that had been raised with the Auditor General stating that the Arbed Scheme Manager was able to claim full payment from the Welsh Government for lighting and water measures where sub-contractors install lightbulbs or aerators on taps, which is only a few minutes work¹¹. The Welsh Government initially told us that the contract prevented the Scheme Manager from claiming the full contract price for installing lighting and water measures unless they upgraded at least 80% of all lights and 100% of all water outlets. However, the way the contract is written does in fact allow Scheme Managers to claim full payment for installing one or two lightbulbs or aerators if doing so takes the house to the 80% or 100% target¹².
- 2.8 The Welsh Government provided a breakdown of the number of lightbulbs fitted in homes through the Arbed scheme as part of a wider package of energy efficiency measures (**Exhibit 6**). It shows there had been 49 instances where just one lightbulb was fitted and 73 where two were fitted. Just over half of the households benefitting from this measure received seven or more low energy lightbulbs. The Welsh Government told us that the Scheme Manager had given assurance that contractors had undertaken the full range of safety checks. However, the Welsh Government, has not sought any documentary evidence to this effect from the Scheme Manager.

11 Aerators reduce the amount of water used, which reduces energy consumption. For properties on water meters this may result in reduced bills.

12 The contract requires that lighting measures are installed to an industry standard. The Welsh Government contacted its technical experts, the Building Research Establishment (BRE) to clarify interpretation of the standard. Any light fittings not already fitted with low energy lighting must be upgraded to meet the 80% rule.

Exhibit 6: households receiving lighting measures through Arbed as part of a wider package of energy efficiency measures, October 2018 to March 2021

Number of light bulbs fitted	Number of households	% of households
1	49	3.6%
2	73	5.3%
3	119	8.7%
4	136	9.9%
5	113	8.2%
6	132	9.6%
7+	751	54.7%
Total	1,373	100%

Note: there were 1,729 instances where lighting measures were used under the Arbed scheme. However, in 356 of those instances, the Scheme Manager reported to the Welsh Government that the data was not kept on the number of individual lightbulbs installed.

Source: Welsh Government

2.9 Water measures had been installed a total of 1,597 times to March 2020 under the Arbed scheme. The type of water measures varies depending on whether the home has a combi-boiler. If it does, then a single device is fitted to the boiler, with no aerators fitted to the taps. The majority of water measures were installed in households with a combi-boiler¹³. For properties that did not have a combi-boiler installed, Scheme Managers could fit aerators to taps. However, we were unable to establish whether there were instances where only one or two aerators were fitted to take the house to the 100% upgrade target.

13 In 2018-19, combi-save devices were fitted 99 times and aerators 29 times and in 2019-20, combi-save devices were fitted 1,288 times and aerators 184 times.

Boiler repairs

- 2.10 Scheme Managers can repair A or B rated boilers up to a cost of £250. However, neither Scheme Manager has repaired any boilers to date. The Welsh Government was unable to provide us with information on how many boilers could have been fixed but were instead replaced and the additional costs being incurred. Nor could it provide us with detailed information on the age of boilers being replaced by Scheme Managers. The Welsh Government told us that Scheme Managers had provided assurance that they had not replaced any boilers less than three years old.
- 2.11 The Welsh Government told us that Scheme Managers do not repair boilers under the schemes¹⁴ because a household can only receive support under either scheme once. While initial repairs would be covered by a warranty if a boiler were to breakdown for a different reason, the householder may be left without heating and hot water, and unable to get further support.
- 2.12 Replacing boilers potentially offers poorer value for money than repairing them. This is a particular issue where the goal is to avoid leaving households without heat and hot water even though they may not be fuel poor (**paragraph 1.15**). Where replacing boilers costs more than repairing them, there is inevitably less overall funding available to support other householders. However, the merits of repairing fossil fuel boilers will also increasingly need to be balanced against the potential carbon reduction benefits of replacing them with a greener, alternative technology.
- 2.13 The Welsh Government told us that it has considered encouraging Scheme Managers to repair more boilers. However, it has decided that the longer-term benefits for a household of having a new system that is less likely to break outweigh the potential cost savings. Officials also noted that, during the winter, people on low incomes have been able to apply to the Discretionary Assistance Fund for a grant of up to £120 to repair a broken boiler.

14 The Arbed Scheme Manager told us that it had repaired some boilers but had not charged the Welsh Government for these repairs.

Future contracts would benefit from increased scrutiny of delivery and better management information



Performance monitoring




- 2.14 The Arbed and Nest contracts have various Key Performance Indicators (**Appendix 2**). Several of the indicators measure whether beneficiaries are receiving a quality service and are used to calculate performance related payments to the Scheme Managers¹⁵. Other indicators monitor whether the schemes are achieving their overall objectives in reducing fuel poverty and delivering environmental and community benefits.
- 2.15 Several issues relating to KPI data have hindered the Welsh Government's oversight (**Exhibit 7**). The Welsh Government has not always been alert to these issues or acted quickly to resolve them. The Welsh Government has independent quality assurance arrangements in place to verify the accuracy of Scheme Managers' Service Level Agreement (SLA)¹⁶ and KPI reporting. However, work in this area has not been completed in line with the contract (**paragraph 2.26**).

15 There is also a provision in the contracts for the Welsh Government to apply Service Penalty Payments to Scheme Managers should invoices, data or reports be submitted late or service levels not be achieved. No penalty payments have been applied to date.

16 In addition to Key Performance Indicators the contract has a number of Service Level Agreements that must be adhered to in relation to timescales.

Exhibit 7: overview of issues with Key Performance Indicators for Arbed and Nest

Key Performance indicator area	Issue identified
<p>Quality of installations</p> 	<p>For both schemes, the Scheme Managers are required to record the proportion of installations carried out without the need for any remedial action to meet industry standards. The Welsh Government's independent quality assurer (paragraph 2.19) reviews a sample of installations to verify that no remedial work was needed. Scheme Managers get performance related payments based on this information.</p> <p>The Welsh Government initially made the performance related payments to Nest based on the information provided by the Scheme Manager. However, the Welsh Government considered that the system being used by Nest to determine whether the installation had required remedial works was not robust. The Welsh Government and the Scheme Manager agreed to use the data recorded by the independent quality assurer instead but allowed the Nest Scheme Manager to challenge this where there were differences. The revised process came into force from October 2020. The Nest Scheme Manager had not retained historic records so the change of process could not be applied retrospectively to check whether the performance related payments to Nest were correct.</p>
<p>Household financial savings</p> 	<p>Household financial savings obtained through the Nest scheme were inaccurately reported by the Scheme Manager during 2018-19 in its annual report as it was using an out-of-date methodology.</p>

Key Performance indicator area	Issue identified
<p>Householder complaints</p> 	<p>For both schemes, the Scheme Managers record information about complaints they have received from householders who have received support.</p> <p>The Welsh Government has been contacted by some householders who were not satisfied with the way that the Nest Scheme Manager was dealing with their complaints relating to installations. The Welsh Government has developed an additional KPI to monitor complaints made to the Welsh Government about the Nest Scheme Manager's response to householders' concerns.</p>
<p>Overall energy efficiency improvements</p> 	<p>Until April 2021, the methodology used by the Nest Scheme Manager to measure the overall energy efficiency improvements being achieved was different to the one used by the Arbed Scheme Manager. The methodology used by Nest was the same as that used to calculate eligibility (paragraph 1.18) which over-estimates the overall energy inefficiency of a household.</p>
<p>Environmental benefits</p> 	<p>Carbon reductions obtained through the Nest scheme were inaccurately reported by the Scheme Manager during 2018-19 in its annual report as it was using an out-of-date methodology (paragraph 1.18).</p> <p>The figures supplied by the Arbed Scheme Manager on the average estimated reduction in modelled units of energy required to run the home were projected three yearly figures rather than actual annual figures as required.</p> <p>Based on the figures reported for the first two years of the current Arbed contract and part of the third year, the scheme was not on course to deliver the targeted reduction in carbon.</p> <p>The Welsh Government confirmed this initial target was too ambitious and cannot realistically be achieved, but it does not intend to change the KPI so the Scheme Manager will not achieve it by the end of the contract.</p>

Source: Audit Wales analysis

- 2.16 Key to oversight of any contract is accessible and good quality management information to inform decision-making and assess performance. In our view there is scope to improve the management information that the Welsh Government gets from Scheme Managers. On several occasions during our fieldwork, information we expected would be readily accessible as part of the Welsh Government's monitoring was either not available, difficult to obtain or not complete. For example:
- we were unable to obtain a high-level count of the number of times each energy efficiency measure had been installed in a simple format. Both Scheme Managers had different recording systems which required us to carry out significant data manipulation.
 - no information was available on the number of broken boilers that could have been repaired (**paragraph 2.10**).
 - the Welsh Government was unable to easily provide us with a full history of the reprofiling of the delivery and spending targets for Arbed (**paragraph 1.27**).

Compliance with contractual requirements

- 2.17 The contracts with Scheme Managers contain provisions designed to ensure a robust and quality service and overall value for money. In some instances, the Welsh Government has not done enough to ensure that the Scheme Managers had complied with contract requirements. In particular, neither Scheme Manager had submitted a disaster recovery plan within 15 days of their contract becoming effective as required and the Welsh Government did not initially request them¹⁷. The Nest Scheme Manager only provided their disaster recovery plan in May 2020 and the Arbed Scheme Manager submitted its plan in August 2021 at the request of the Welsh Government.
- 2.18 The contracts also require Scheme Managers to ensure sub-contractors do not offer additional private work to householders and prohibit the Scheme Managers and sub-contractors from offering additional warranty products. Both the Nest and Arbed Scheme Managers have arrangements in place to make sub-contractors aware of these rules. However, prompted by our work, the Welsh Government required the Arbed Scheme Manager to have signed agreements in place with sub-contractors. The Welsh Government intended for these agreements to reiterate that sub-contractors be made aware they must not offer additional measures or warranties. We have not reviewed this process as part of our work.

¹⁷ The Arbed contract was effective from 1 May 2018 and the Nest contract was effective from 1 April 2018.

Any new arrangements will need more timely and comprehensive support from independent external quality assurance and audit arrangements

2.19 In earlier iterations of the Warm Homes Programme, where there was no quality assurance regime in place, poor quality installations by some sub-contractors caused long-term damage to some homes¹⁸. To guard against similar problems in the current iteration of the Programme, the Welsh Government awarded a three-year Quality Assurance and Audit contract in July 2018 to an independent quality assurer¹⁹.

2.20 Broadly, there are three aspects of the quality assurance and audit work:

- installation audit work: checking a sample of installations to verify that measures have been installed in line with industry standards. This work includes checking that the most appropriate energy efficiency measures are recommended prior to installations. It also includes checks during the installation process and after installation.
- review of Nest advice and support telephone service: checking that customer eligibility is accurately recorded and advice is high quality.
- validation of performance information: providing assurance over aspects of performance, such as accuracy of KPI data produced by the Scheme Managers.

2.21 The contract also allows the Welsh Government to request that the quality assurers undertake ad-hoc audits for an additional fee, to quality assure any other element of the Nest and Arbed schemes. To date, the Welsh Government has not requested any additional audit work under this provision.

Installation audit work

2.22 Until March 2021, the installation audit work was behind schedule. As at January 2020, there were 536 overdue inspections for the Nest and Arbed schemes combined. The Welsh Government and the quality assurers identified several factors contributing to the delay including staff capacity with the quality assurers and difficulties getting timely and complete information from Scheme Managers for some installations. In January 2020, at the Welsh Government's request, the quality assurers prepared a service improvement plan to address the backlog. The plan set out arrangements to ensure the backlog would be addressed by September 2020.

¹⁸ These problems related mainly to external wall insulation. At the time of our fieldwork, this type of measure had not been used in the current iteration of the Programme but we understood it would be used for at least one property in summer 2021.

¹⁹ Pennington Choices Limited.

- 2.23 Due to the pandemic, there were periods when the quality assurers were unable to visit homes to inspect installation of measures as planned²⁰. However, quality assessors introduced 'desktop' audits in July 2020 based on photographic evidence of installations rather than on-site visits. This approach allowed the Welsh Government to obtain some assurances over installation work. As a result, the installation audit work backlog was cleared by March 2021.
- 2.24 While the desktop approach has been beneficial in recovering the backlog and the reason for adopting them during the pandemic is clear, desktop audits are not as robust as physical on-site inspections. The quality assurers are gradually moving back into doing on-site work but are still also using desktop audits. The ratio of desktop to on-site audits varies by month to month.

Validation of performance information

- 2.25 The quality assurers are also required to audit the accuracy of the Scheme Managers' reporting against Key Performance Indicators and Service Level Agreements annually. If the quality assurers were to identify that the Scheme Managers' data is incorrect for any of the KPIs which are performance pay related, the Welsh Government can recover payments (**paragraph 2.15**).
- 2.26 The quality assurers have not completed audits of the accuracy of SLA and KPI data annually. As a result, the Welsh Government has not known whether it needed to recover any payments. The quality assurer completed its first KPI and SLA audit of Nest in July 2021. It made a number of recommendations, none of which required the Welsh Government to recover funding. The Welsh Government expected the quality assurer would also complete its first KPI and SLA audit for Arbed in July 2021. The Welsh Government received a draft audit report in September 2021.

Future arrangements

- 2.27 In January 2021, the Welsh Government extended the contract with the quality assurers for a further 12 months until July 2022. Over this period, and in any equivalent future arrangements, the Welsh Government will need to ensure it gets more timely support from its quality assurance arrangements. This will allow the Welsh Government to quickly rectify any problems with the quality of installations and with the quality of reporting on which contractual payments depend.

20 For the Nest scheme this was December 2020 and February and March 2021. For the Arbed scheme this was July, August and October 2020.



Appendices

1. Audit approach and methods

2. About the Warm Homes Programme

1. Audit approach and methods

Audit approach

We focused on the Welsh Government's management of contracts for making energy efficiency improvements to homes through the current iteration of its Warm Homes Programme (the Programme). This report does not consider the overall value for money of the Warm Homes Programme.

The work followed on from our 2019 report on Fuel Poverty²¹, which was a high-level overview of the Welsh Government's ambitions for fuel poverty and progress at that point. We made several recommendations on key issues for the Welsh Government to consider as it consulted on and finalised its new Fuel Poverty Plan²².

To inform our work we also considered the following:





- Correspondence received by the Auditor General which raised concerns regarding the value for money and contract management of the Arbed scheme.
- An April 2020 report by the National Assembly for Wales Climate Change, Environment and Rural Affairs Committee into Fuel Poverty in Wales.
- The scope of a Welsh Government commissioned independent review of the Arbed scheme (due for publication later in early 2022).
- The impact that the COVID-19 pandemic has had on the Programme.

We did not set out to review the Welsh Government's overall response to our previous recommendations. However, where those recommendations directly related to contract management of the Programme, we have commented on them in this report.

21 Auditor General for Wales, Fuel Poverty, October 2019

22 Welsh Government, Tackling fuel poverty 2021-2025, March 2021

Audit methods



<p>Document review</p> 	<p>We reviewed a large amount of documentation, including, for example, minutes from meetings, tender specifications, contractual documents and Ministerial briefings.</p>
<p>Semi-structured Interviews</p> 	<p>We interviewed Welsh Government officials involved in the management of the Programme. We also interviewed representatives from Pennington Choices Limited, the Welsh Government's independent quality assurer for the Programme. We engaged with the Nest and Arbed Scheme Managers as part of our clearance process in advance of publication.</p>
<p>Data analysis</p> 	<p>We reviewed available expenditure and installation data for the Nest and Arbed schemes. We also analysed the pricing data provided by the Scheme Managers for installing energy efficiency measures under the contracts.</p>
<p>Feedback sessions</p> 	<p>We met Welsh Government officials to ask follow-up questions regarding the data and documentation we had received. We also used these feedback sessions to test our emerging findings.</p>



2. About the Warm Homes Programme


The Welsh Government's Warm Homes Programme comprises two separate schemes designed to tackle fuel poverty by improving home energy efficiency (**Exhibit 8**). Both schemes provide a range of free home energy efficiency improvements and free and impartial advice and support to help householders reduce their energy bills.

The Arbed schemes and Nest schemes started in 2009 and 2011 respectively. The current iteration of the Nest scheme started in April 2018 and is due to end in March 2023 with the option for the Welsh Government to extend for up to a further three years. The current iteration of the Arbed scheme ran from May 2018 to May 2021 with an option for the Welsh Government to extend up to May 2023. However, the contract ended on 3 November 2021.

Exhibit 8: description of the Nest and the Arbed schemes

Nest		Arbed
<p>Purely funded by the Welsh Government</p>	<p>How is it funded?</p> 	<p>Funded by the Welsh Government and the European Regional Development Fund.</p>
<p>Managed by British Gas</p> <p>Advice and support telephone line</p> <p>Free advice and support to help people improve the energy efficiency of their homes. Delivered by the Energy Saving Trust as a sub-contractor to British Gas¹.</p> <p>Home Energy Efficiency Improvement Service (HEEIS)</p> <p>A demand led package of free energy efficiency measures for eligible households to help reduce their home energy bills.</p> <p>All installation works are delivered by sub-contractors appointed by the Scheme Manager.</p> <p>Measures may include a new boiler, central heating system, loft insulation, cavity wall insulation, external wall insulation or newer technologies such as air source heat pumps.</p>	<p>What does it do?</p> 	<p>Managed by Arbed am Byth.</p> <p>Provided a package of free energy efficiency measures to eligible households to help reduce their home energy bills which also included free, impartial advice and support to help customers reduce their energy bills.</p> <p>Measures may include a new boiler, central heating system, loft insulation, cavity wall insulation, external wall insulation or newer technologies such as air source heat pumps.</p> <p>All installation works were delivered by sub-contractors appointed by the Scheme Manager.</p>

Nest		Arbed
<p>The advice and support line is available to all households in Wales.</p> <p>In order to receive free energy efficiency measures via HEEIS, households must be privately rented or owned and amongst the most energy inefficient.</p> <p>Households must also be receiving means tested benefits and have an EPC³ rating of E, F or G.</p> <p>or</p> <p>Households must have a member with a health condition, low income and have an EPC rating of D, E, F or G.</p>	<p>Who is eligible?</p> 	<p>Eligible households were required to be within targeted geographical areas identified as being most likely to include people living in fuel poverty and can include social housing². The Scheme Manager considered a range of factors to identify areas to target including levels of deprivation and analysis of property energy efficiency rating data published by the UK government.</p> <p>Households must have had an EPC rating of E, F or G. Households with an EPC rating of D or above were also eligible but must be kept to a minimum.</p>
<p>The Welsh Government carries out a check to confirm that the householder is claiming qualifying benefits. After an initial telephone assessment an energy assessor who works for British Gas carries out an Energy Performance Report. This is for reference purposes only and is not lodged with the UK government.</p>	<p>How is eligibility assessed?</p> 	<p>After geographical areas were identified and interested households confirmed they wished to receive support, an independent qualified energy assessor carried out an energy assessment and created an Energy Performance Certificate (EPC). This was then formally lodged with UK government.</p>

Nest		Arbed
Up to £5,000 or £8,000 per household for households connected to the gas network or £8,000 or £12,000 for households not connected to the gas network ⁴ .	<p>How much is spent per household?</p> 	Up to £5,000 or £8,000 per household for households connected to the gas network or £8,000 or £12,000 for households not connected to the gas network ⁴ .

Notes:

1 We have not considered this aspect of the Nest service as part of this audit.

2 Although the scheme could include support for social housing, neither the Welsh Government nor the Scheme Manager expected social housing to be targeted and it was a Welsh Government requirement that necessary investment by social landlords (housing associations and local authorities) was not replaced by funding through the scheme.



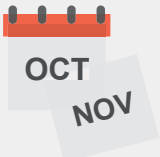
3 The UK government's recommended system for measuring the energy efficiency rating of residential dwellings is called the Standard Assessment Procedure (SAP). It uses an overall score of 1-120, with 1 indicating the less energy efficient and 120 being the highest. SAP scores are then banded to give a an Energy Performance Certificate (EPC) rating A-G, A being the highest and G the lowest.




4 For properties that were EPC E, the maximum expenditure was £5,000 for properties on the mains gas grid and £8,000 for those off the mains gas network. For properties that were EPC F or G the maximum expenditure was £8,000 for properties on the mains gas network and £12,000 for those off the mains gas network.



Source: Audit Wales analysis

The Welsh Government set several Key Performance Indicators for the Scheme Managers (**Exhibit 9**). **Paragraph 2.28** in the main report highlights how several issues relating to Key Performance Indicator data have hindered the Welsh Government's oversight of performance. Due to these issues, we have not reported on performance against the KPIs beyond the number of supported households.

Exhibit 9: original Key Performance Indicators for the Nest and the Arbed schemes

Indicator	Nest		Arbed	
	Description	Annual Target	Description	Annual Target
Customer satisfaction 	Call handling, advice and referral service ¹	95% or more	Householder in-home advice service ¹	95% or more
	Home Energy Efficiency Improvement Service ¹		Completion of installations ¹	
Customer complaints 	Call handling, advice and referral service ¹	3% or less	In-home energy advice assistance ¹	3% or less
	Home Energy Efficiency Improvement Service ¹		Work in installing the allocated measures in a householder's dwelling ¹	
Timescales 	Number of days between initial customer contact and completion of installation works ¹	45 Working Days or less	No indicator	

Quality 	Number of installations achieving service provider's first-time pass on inspection ¹	98% or more	Number of installations achieving service provider's first-time pass on inspection ¹	98% or more
	Number of installations achieving the quality standard following independent monitoring	100%	Number of installations achieving the quality standard following independent monitoring	100%
Number of households supported 	Number of unique households receiving advice and support	15,000	Number of unique households receiving advice and support	6,325 by the end of the contract ²
	Number of households receiving a free package of energy efficiency measures	4,100	Number of households receiving a free package of energy efficiency measures	6,325 by the end of the contract ²
Performance in relation to reducing fuel poverty 	Reduction in modelled energy costs because of measures installed and in-home advice provided	Average £425 per dwelling	Reduction in modelled energy costs as a result of measures installed and in-home advice provided	Average £425 per dwelling
	Increase in EPC rating from G/F/E to D or above	80% increase to EPC D or above	Increase in EPC rating from G/F/E to C or above	80% increase to EPC C or above ³

Environmental benefits 	Average reduction in modelled units of energy required to run the home	15,000 mega joules or more	Average reduction in modelled units of energy required to run the home	15,000 mega joules or more
	Total estimated reduction in carbon impact	14,760 tonnes of CO ₂ or more	Total estimated reduction in carbon impact	22,700 tonnes CO ₂ or more by the end of the contract
Economic / community benefits 	Number of new jobs, apprenticeships, training and work experience opportunities created	40 for the lifetime of the scheme	No indicator	
	Proportion of installations to be completed annually by Small and Medium-Sized Enterprises (SMEs)	100%	Proportion of installation to be completed annually by SMEs	100%, of which 90% must be Welsh SMEs

Notes:

1 Denotes KPI involves a performance payment.

2 Changed to 5,500 after a contract change in December 2019 (**paragraph 1.27**)

3 Target removed after a contract change in December 2019 (**paragraph 1.27**)

Source: Welsh Government



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Agenda Item 7.1

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mark Isherwood MS
Chair, Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

15th October 2021

Dear Mark

Public Accounts and Public Administration Committee – Fifth Senedd correspondence

Thank you for your letter of 21 July, I hope that you and fellow Committee members found the introductory meeting on 20 September with Welsh Government Directors' General productive.

We value the reports of the Committee very much and at the request of the Fifth Senedd Committee I am writing to provide you with responses to the final reports and correspondences of that Committee.

The following annexes respond accordingly to:

- Annex 1 – Scrutiny of Accounts 2019-20 – Welsh Government
- Annex 2 – Public Accounts Committee – Fifth Senedd Legacy Report
- Annex 3 – Letter from the Committee Chair to the Permanent Secretary Welsh Government – 22 March 2021

I have welcomed the constructive scrutiny of the Committee in my time as Permanent Secretary for the Welsh Government and am sure the Committee will continue its' excellent work in the new Senedd term.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Yours,
Shan Morgan

Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government

Annex 1

SCRUTINY OF ACCOUNTS 2019-20 – WELSH GOVERNMENT

Thank you for the report following the scrutiny by the Public Accounts Committee of the 2019-20 annual Accounts for the Welsh Government. I have considered each of the recommendations, and my responses are set out as follows:

Recommendation 1

While acknowledging practical barriers to publishing all financial reports concurrently, the Committee recommends that the Welsh Government aims to publish these documents either concurrently or as closely together as possible. Specifically, we recommend that the Welsh Government publishes its outturn report as soon as possible following the laying of its accounts each year and ahead of the Accounts Scrutiny sessions.

Accept

The reports noted in the Welsh Government Annual Report and Accounts Part 1 as Key Reports are all produced from a range of source information, or subject to specific reporting requirements which determines their timing.

Budget

The Welsh Government Budget publications are produced in accordance with Standing Orders and impacted by Budget and Spending Review timings determined by HM Treasury.

Outturn Report

The Welsh Government will aim to publish the outturn report for the prior year within 3 weeks of publishing the annual report and accounts. The outturn report is reliant upon the completion of the annual statutory audit.

Welsh Government Annual Report

The Welsh Government Annual Report (WGAR) is a Ministerial report on progress towards the well-being objectives and is not a financial report. The timing, scope and content of WGAR is a matter for Welsh Ministers.

Well-being of Wales Report

The annual Well-being of Wales report provides an update on the progress the nation is making towards its well-being goals. It concerns the collective progress of Wales as a nation and is not a report on the performance of an individual organisation.

The Report is usually published in September each year, to allow for data from the most recent year's National Survey for Wales to be included.

As an Official Statistics publication, the content and timing of the Well-being of Wales report is determined by the Chief Statistician, in line with the code of Practice for Statistics. The Code states that statistics should be released as soon as they are considered ready.

Future Trends Report

The Future Trends Report is required to be produced within 12 months of an election and sets out likely future trends in economic, social, environmental and cultural well-being of Wales and associated analytical information. The report production is linked to election timings and availability of statistical information, the next report is due for publication December 2021.

Recommendation 2

In the interests of transparency, we recommend that the Welsh Government publishes annually details of how decisions have been made in terms of its compliance with the Financial Reporting Manual. We would like to see this information published for scrutiny by the Public Accounts Committee prior to the accounts being prepared. We seek the Welsh Government's view on whether this is possible within the time constraints of any changes to the FReM and the accounts' preparation.

Accept

The Welsh Government will aim to provide the PAC with such an update from 2021-22 onwards. However, although the FReM is usually published in December, in order to support preparation of the accounts from the following April onwards, it is not uncommon for additions or HM Treasury additional guidance to be issued through the accounts preparation period, indeed for the 2020-21 cycle updated guidance was issued in May 2021. Therefore, any update to the PAC will only reflect the position as at that date.

Recommendation 3

We recommend the Welsh Government provide us with an updated timetable for the publication of its Annual Report on Grants Management 2019-20.

Accept

Due to the pressures of dealing with the impact of the Covid-19 pandemic on the business, the 2019-20 grants report was not provided to the Committee until March 2021. However, from 2020-21 onwards the grants report will once again form an integral part of the annual report and accounts.

Recommendation 4

In light of the qualification of the Welsh Government's Accounts, we welcome the FRAB's consideration of the interpretation of International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets). We recommend that the outcomes of these considerations, including any new guidance are shared with the Public Accounts Committee alongside details of lessons learnt by the Welsh Government and how these will be incorporated into financial processes in the future.

Accept

Further to discussion at the November 2020 Financial Reporting Advisory Board, HMT published additional guidance in May 2021 on the application of International Accounting Standard 37 (Provisions, Contingent Liabilities and Contingent Assets) for grantor accounting in the public sector ¹.

The HMT guidance is useful in setting out the issues to be considered regarding grantor accounting and IAS37, but the guidance issued was inconclusive and does not prescribe treatment that would impact upon the 2019-20 Welsh Government Accounts. The Welsh Government has considered the additional guidance and concluded our position on the application of IAS37 remains unchanged.

The additional guidance and Welsh Government officials conclusions was considered by the Welsh Government Audit and Risk Committee at its' 12 July meeting.

We are not anticipating any further guidance from the FRAB on IAS37 and grantor accounting in the foreseeable future.

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/984519/IAS_37_and_Grantor_Accounting_Application_Guidance.pdf

Recommendation 5

We recommend that the Welsh Government reviews the way in which it explains the variances between its budget and outturn, as reported in the Summary of Resource Outturn. This should use plain language to explain the different elements of the budget and the outturn against them. It should also explain the implications of an underspend for the Welsh Government (including the Wales Reserve) and the delivery of services provided.

Accept

The Welsh Government will continue to seek to improve on the clarity of the explanations provided in the SORO. Unfortunately, until the accounts have been completed and signed off by Audit Wales, we are unable to finalise the outturn position for the year and hence the reserve balance. For this reason further information on the final outturn is provided in a separate report published within 3 weeks of the laying of the annual accounts.

Recommendation 6

The Committee's view is that the Welsh Government should be exemplary in its approach to performance reporting. We strongly recommend that the Welsh Government sets out its performance against all the KPIs in its Annual Report. This should reflect best practice both on the content and presentation of this information.

Further correspondence on the KPI Framework took place with the Committee further to this report being issued, please see Annex 3 which discusses the KPI Framework.

Recommendation 7

The Committee recommends that the Permanent Secretary provide an update about the progress made in developing the KPIs and provides the timetable for the completion of this work.

Further correspondence on the KPI Framework took place with the Committee further to this report being issued, please see Annex 3 which discusses the KPI Framework.

Recommendation 8:

We recommend that the Welsh Government share with the Public Accounts Committee the papers that informed its decision to end the external audit of local authority grant claims, its evaluation of the pilot with Audit Wales and its risk assessment of the decision.

Accept

The decision was based on discussions with Audit Wales concerning the immaterial nature of the results of audit work undertaken thus far and whether it was reasonable or not to place the burden of additional audit work solely on Local Government. Grant schemes are managed by policy officials based on the binding terms and conditions which cover deliverables, outcomes and payment mechanisms. This approach is applied to all third, private or public sector grant recipients. In removing the need for additional audit work Welsh Government is merely applying a consistent approach to all grant schemes.

Recommendation 9

We recommend that Welsh Government provide information about how it obtains the required assurance over grant funding to local authorities following the decision to remove the requirement for audit. This should clarify how the annual statement from Section 151 Officers will provide additional assurance to their certification of individual grant claims.

Accept

All hypothecated grants must detail the legally binding terms and conditions such as deliverables, outcomes and payment mechanisms required from the grant recipient. This is no different for public or private sector organisations. These terms and conditions are then used by policy officials to monitor progress and agree milestone payments. The role of the Section 151 officer is to confirm that the expenditure received has been used for the purposes agreed and in accordance with the legally binding terms and conditions of the grant. In that way it supplements the usual monitoring arrangements put in place by the Welsh Government.

Recommendation 10

We note the weaknesses identified by the Welsh Government's Internal Audit Service in relation to workforce management initiatives. We recommend the Welsh Government provide the Public Accounts Committee with assurances that these weaknesses have been addressed.

Accept

Temporary Duties Allowance

We continue to engage with our TUS colleagues to agree a strategy to manage down the number of staff in receipt of Temporary Duty Allowances (TDA) in the organisation, to a level we are more comfortable with. The number of TDAs has been higher than I'd like in recent years, as we have tried to carefully manage our resources within our budgetary constraints, and have limited our recruitment activity.

Covid has also impacted significantly on our progress in the last 12 months. As an organisation we needed the flexibility to deploy resources quickly to priority roles in the areas of greatest need on a temporary basis. The use of TDAs in this manner has been both appropriate in line with policy, and offered us greater agility in dealing with the immediate issues facing us at the time. Moving forward, my aim is to significantly reduce the need for TDAs, particularly longer term TDAs over 6 months. The internal promotion gateways have enabled us to make a strong start on this with 90 staff across the SEO and G7 grades (51 SEO and 39 G7), who were in receipt of TDAs being successful and promoted into posts at higher grade, thus removing the need for TDA. We expect this position to improve further as the recruitment gateways continue through the grades in the organisation.

We are committed to work closely with TUS to agree further options to manage down TDA, from exit plans for those in receipt of TDAs for a significant time and an amended policy with more stringent governance sign off for longer term TDAs.

Secondments

Progress on implementing the recommendations on the Secondment Audit has been slower than anticipated. They were to be wrapped up in the Corporate Services review implementation, however, the redeployment of resources and a focus on tackling Covid related issues have prevented the review from being fully completed. I am pleased to say however, that we have recently strengthened our approach to secondments with additional resources. This means one team now has oversight of secondments, the process has been streamlined with clear approval mechanisms, we've improved our contractual arrangements with standard documentation and there are enhanced reporting arrangements in place. I fully expect any outstanding actions to be completed in the coming months, with the team working closely with IAS and TUS to implement the recommendations.

Agency Workers

Progress has been made in respect of the Agency worker Audit. A new policy was published in March 21 to reflect the recommendations from the IAS report, and has strengthened the following areas in particular:

- Approval from the HR director prior to appointment and after a 12 week placement;
- the proposed contract end date and evidence colleagues have attempted to fill the post internally.

Recommendation 11

We recommend that Welsh Government ARAC meeting agendas together with an appropriate summary of issues arising from meetings, are published as a minimum.

Accept

It has been agreed with the ARAC Chair that Welsh Government ARAC Agendas and a summary of issues will be published, commencing from the next meeting.

Recommendation 12

We recommend that the Welsh Government shares with the Public Accounts Committee the evaluation of the pilot review of the National Library and a commentary of any lessons learned. The Welsh Government should also publish timescales for evaluation reviews of other Arm's Length Bodies and details of how a risk based approach has been used to determine the order of priority for these reviews.

Accept

Officials in Public bodies Unit will be undertaking an evaluation of the Tailored Review of the National Library for Wales, including a lessons learned exercise. The outcomes of these exercises, will be shared with the Public Accounts Committee.

The Welsh Government will draft a timetable which will set out the details of all Tailored Reviews of Arms-length Bodies in Wales, within the Public Bodies Unit remit over the 5-year term of the new Government. A number of sources of evidence will be used when developing this timetable, including discussion with Partnership Teams, and analysis of a Risk-based Assurance Model. It is worthy of note, a balanced programme of reviews over the 5-year cycle will be required to complete the programme effectively.

Recommendation 13

We recommend that the Welsh Government provides the Public Accounts Committee with an update on the timescales for the evaluation of the Public Bodies Unit and receives a copy of any report and conclusions.

Accept

The Welsh Government will provide the Public Accounts Committee with information on the timings of the evaluation of the Public bodies Unit, and will share the outcome of that evaluation with the Committee.

Preparatory work on that evaluation has commenced, and will include the views of the Public Leaders Forum and Welsh Government Partnership Teams.

Annex 2

PUBLIC ACCOUNTS COMMITTEE: FIFTH SENEDD – LEGACY REPORT

Thank you for the Legacy Report for the Fifth Senedd. I welcome the findings of this report, and provide the following responses to the two recommendations contained within that relate to Welsh Government.

Recommendation 5

We recommend that the Welsh Government responds to Auditor General for Wales reports within 15 working days, to inform Committee decisions about how to prioritise its work, in line with the existing protocol.

Accept

We have reminded officials of the need to reply to Auditor General for Wales reports within 15 days and we will ensure that this target is complied with as far as possible.

There may be occasions where, due to the complexity of the recommendation and the need to obtain multiple contributions to the recommendation, the 15 day target is a challenge to meet. In this situation we will respond to the Auditor General within 15 days, outlining the progress made and when we expect to send the response.

Recommendation 6

We recommend that the Welsh Government continues to respond to our successor Committee's recommendations with either 'accept' or 'reject'.

Accept

The Welsh Government will continue to respond to the recommendations with either an 'accept' or 'reject' response. We have reminded officials of the need to respond in this way.



Annex 3

Letter from the Committee Chair to the Permanent Secretary Welsh Government - 22 March 2021 ²

Your predecessor Committee took a keen interest in the work which I had set in hand to develop a system of Key Performance Indicators. This was the subject of a letter from the Committee on 21 March as well as specific recommendations on their legacy report and reports on accounts.

Work on the system has progressed considerably since I last updated the Committee and our annual accounts include a high level outline of the system as it stands now. We have not put all of the background data into the accounts themselves, partly because to do so would take up a disproportionate amount of space, and partly because some of the data which we employ is confidential or otherwise not suitable for putting into the public domain. We can share all of the data with the Committee if the Committee wishes to see it, but we would need to do so on the basis that it is treated as a confidential document and not shared further.

In addition, of course, Andrew Goodall as my successor will want to consider whether this is an approach with which he wants to continue and develop further going forward, in consultation with the First Minister. I am sure that Andrew will bear very much in mind the points which the Committee have made to me about this system, and that he will keep the Committee in touch with developments.

² [Letter from the Committee Chair to the Permanent Secretary Welsh Government - 22 March 2021.pdf \(senedd.wales\)](#)

Agenda Item 8

By virtue of paragraph(s) vii of Standing Order 17.42

Document is Restricted