



Audit Wales response

Introduction

- 1 Given our remit, you will appreciate that it would not be appropriate for us to comment on relative priorities for the Committee, or the relative priority focus areas that the Minister and Deputy Minister for Climate Change have set out in their letter to the Committee. We have commented below, however, on some specific matters arising from our previous work and work in progress that are potentially relevant to the Committee's remit and to the topics that feature in the Ministers' letter. We hope that this will prove valuable to the Committee as it shapes its work programme.
- 2 Relevant to some of the topics that feature in the Ministers' letter, we are also mindful of some of the recent inquiry work by the Welsh Affairs Committee in the UK Parliament on renewable energy in Wales and railway infrastructure in Wales.

Town centre regeneration

- 3 On 2 September, we published a report on town centre regeneration. The Minister and Deputy Minister for Climate Change have highlighted this topic among their priorities. We have already highlighted this work in our response to the Economy, Trade and Rural Affairs Committee consultation. It may also be relevant to the Local Government and Housing Committee. During our work, we shared our findings with the Welsh Government and attended the previous Minister's Town Centre Action Group. Our report calls for brave decisions and ambitious leadership to address the challenges facing our town centres, making recommendations to local authorities and the Welsh Government.

Climate change and net zero

- 4 The targets that the Welsh Government has set in this area are challenging. We are committed to playing our part through our audit programme to report on how the public

sector in Wales is responding to this challenge and to help bring together people to share good practice. We will shortly publish a new 'Picture of Public Services' report that, among other things, will reflect on this issue, noting that the most vulnerable in society are more likely to be directly affected by climate change. We will note that there are potentially difficult trade-offs between social justice and carbon reduction goals, something we will also touch on in our planned report on the Warm Homes Programme (see paragraph 9).

- 5 We are currently progressing an initial climate change baseline review that will set the scene for, and help inform decisions about, audit work in following years. We expect to complete the baseline review in early 2022-23, with evidence gathering ongoing through this autumn/winter. We will be considering how public bodies are preparing to achieve the Welsh Government's 2030 carbon reduction plans, including consideration of the Welsh Government's leadership role and the arrangements individual bodies are putting in place. We will be gathering evidence from our audited bodies through the autumn. The baseline review will also draw on relevant intelligence from our wider audit programme.

The optimised retrofit programme, housing standards and fuel poverty

- 6 We have not undertaken any audit work to consider the optimised retrofit programme. However, a member of our good practice team has been an observer on an advisory group that is considering procurement and supply chain development. To date, our perception is that much of the engagement through this programme has been with registered social landlords. As well as the question of the private rented and owner-occupied sectors, there is therefore the challenge around the remaining local authority owned stock.
- 7 The Ministers' letter refers to plans to evaluate the long-standing WHQS programme and develop a revised standard. We reported nationally on the WHQS programme in 2012. When it was launched, the Welsh Government's original aim was that all social housing would meet the WHQS by March 2012, although it later set a target for all social landlords to improve their housing stock to meet the WHQS 'as soon as possible, but in any event by 2020'.
- 8 In 2012, we reported that the Welsh Government had not acted swiftly enough to support and monitor progress and had not put an effective framework in place to demonstrate value for money from the significant investment in work to achieve the WHQS. Over the past few years, we have also reported on this topic in a number of local authorities that were still falling short of meeting the WHQS (even allowing for what are categorised as 'acceptable fails'). We understand that a next release of data on WHQS compliance is due shortly. Given the challenges that have been seen in realising the Welsh Government's ambitions for the existing WHQS, it will be important that lessons are learnt and applied to the way any new standard is planned, funded and monitored.
- 9 In October 2019, we published a report on fuel poverty that also informed inquiry work by the previous Climate Change, Environment and Rural Affairs Committee. The Welsh

Government published its new Tackling Fuel Poverty plan in April 2021 and noted that the plan had been informed by our work and that of the previous Committee.

- 10 Since our previous fuel poverty report, we have progressed a review looking in more detail at the Welsh Government's management of the current Warm Homes Programme (comprising of the Nest and Arbed schemes). Our report looks specifically at the Welsh Government's contractual arrangements with its appointed 'Scheme Managers' and considers the Welsh Government's quality assurance arrangements. It will focus on the key issues and lessons for the Welsh Government to take forward into the next iteration of the Programme. We expect to publish our report before the end of October 2021.

Circular economy and waste management

- 11 In 2018-19, we published a series of three reports on waste management: waste prevention (March 2019); municipal recycling (November 2018); and the procurement or residual and food waste treatment capacity (October 2018). The previous Public Accounts Committee took forward some inquiry work informed by those reports and provided its own reflections as part of the Welsh Government's consultation on its new circular economy strategy – Beyond Recycling – which was then published in March 2021. Since our previous national work, we have also completed waste management related work at several local councils. Waste services are one of a range of topics that we keep under review as part of our risk assessment processes in local government.
- 12 Our understanding when the Welsh Government was consulting on its circular economy strategy was that this would be supported in time by updates to other relevant strategies or supporting plans, such as the 2010 Towards Zero Waste strategy. We consider that many of the issues raised by our previous reports remain relevant as policy/strategy develops. These include, for example:
- the relative priority given to waste prevention measures, progress against waste prevention targets and data collection;
 - value for money risks in relation to existing waste treatment contracts; and
 - our recommendation that the Welsh Government replace or complement the current target to recycle, compost and reuse wastes with performance measures to refocus recycling on the waste resources that have the largest impact on carbon reduction, and/or are scarce. We recognised at the time that the Welsh Government might need to consider the affordability of data collection for any alternative means of measurement.

Flood risk management

- 13 Although we have not yet progressed our scoping work, we have identified in our 2021-22 Annual Plan that we intend to take forward a review on this topic. Our most recent work on in this area was completed in July 2016 when we reported on coastal flood and erosion

risk management. The Public Accounts Committee reported on the same topic in June 2017.

- 14 We were initially considering using our review to follow up on issues from our previous work, including the delivery of new capital projects through the Coastal Risk Management Programme. However, we may yet adopt a broader or alternative scope to include inland flood risk considerations. We anticipate that this work will continue into 2022-23.

Digital infrastructure

- 15 We have noted the findings and recommendations of the National Infrastructure Commission's December 2020 report on digital communications infrastructure in Wales, including the Commission's endorsement of the merits of further audit scrutiny in this area. We had already identified plans for some further work on broadband infrastructure, following on from our report on next generation broadband (specifically the Superfast Cymru programme) in May 2015. However, we are yet to decide on the scope of our work including, for example the balance between looking at issues around contracting for the provision of infrastructure and wider consideration of digital inclusion. We anticipate that this work will continue into 2022-23.

Digital and data

- 16 There have been a number of important developments in this space including, but not limited to, those set out in the Ministers' letter. These include the recruitment and/or appointment of new Chief Digital Officers in the Welsh Government, Welsh Local Government Association and for the NHS. Also, the creation of the new special health authority, Digital Health and Care Wales, which falls within the Auditor General's external audit remit.
- 17 In our forthcoming Picture of Public Services report, we will be identifying five key areas of public service transformation where we will be expecting to see progress over the coming years. These include 'harnessing digital technology to make services more accessible' and 'using data and information to learn and improve across the whole public service system'. Our December 2018 report on the maturity of local government in the use of data highlighted the challenge of local government sharing information with partners. Our findings also suggested that there was still some way to go for local authorities to develop a culture that values and uses data to its full potential to help improve services and outcomes.
- 18 In previous reports on informatics systems in NHS Wales and the Welsh Community Care Information System, we have highlighted the potential benefits but slow roll out of digital services in the NHS and social care. However, we will recognise in our Picture of Public Services report that the response to the pandemic has shown that public services can move swiftly to roll out and adopt new digital technology.

Transport

- 19 We do not currently have any substantial work in our national programme looking at transport issues. In recent years we have reported on the delivery of A465 Section 2 road scheme (February 2020) and, before that, on the MyTravelPass scheme providing discounted bus travel for young people (January 2019).
- 20 We also covered issues relating to ports infrastructure in our work on preparedness for Brexit during the fifth Senedd. Most recently, the Auditor General corresponded with the External Affairs and Additional Legislation Committee in November 2020. That letter reflected on some of the key risk areas, including in respect of ports, and drew on issues set out in the Welsh Government's End of Transition Action Plan. Since the end of 2020 we have seen some of the effects that are now apparent following the end of the EU-transition period, such as decline in Wales-Ireland crossings. On a related theme, we are aware of the National Audit Office's engagement with the Welsh Government to seek views as part of work it is completing to provide an update on management of the UK border. We understand that report is currently scheduled for publication before the end of 2021.
- 21 We will be looking to revisit opportunities for further work on transport-related matters as we plan our work programme for 2022-23, considering developments and any changes in patterns of spending arising from the new Wales Transport Strategy, and the Welsh Government's intentions around the expanding role of Transport for Wales. The Auditor General is not the statutory external auditor of Transport for Wales, but his wider examination powers still provide a basis on which to examine the value for money of Transport for Wales activities.
- 22 The Welsh Government's announcement of a freeze on new road building projects while a review of highway schemes across Wales is carried out is a notable post-election development that we imagine might be of interest to the Committee. Any decisions that may be taken in this regard and the priorities for investment in the context of wider policy are a matter for the Welsh Government. Nevertheless, any decisions to cancel or amend schemes that have already been through significant planning and development work will likely have financial consequences through cost write-offs or possible cost increases arising from delays. Even where construction work is not already underway, the costs involved in the earlier planning stages of major schemes can be significant, as demonstrated in the case of the costs that are being written off for the M4 Relief Road.

Timber sales

- 23 We have reported previously, as has the previous Public Accounts Committee, on matters relating to the awarding of timber sales contracts by Natural Resources Wales (NRW) which led to qualification of the Auditor General's regularity opinion on NRW's accounts in 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20. The Ministers' letter refers to plans for the development of a timber industrial strategy for Wales that will 'include looking at the

role of NRW, who have committed to selling up to 30% of their timber through alternatives to the current model focussed on sale for highest financial value'. The income received from timber sales is a material feature in NRW's annual accounts and so we expect to continue to take an interest in this area as part of our external audit work.