

# Supporting Appendices: Item 6 - For Information

Thu 06 October 2022, 09:30 - 12:30

## Agenda

---

09:30 - 09:30 1. Item 6 - For Information  
0 min


**1.1. Audit Wales - Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report**

*Attachment*

 6.1 Public\_Sector\_Readiness\_for\_Net\_Zero\_Carbon\_by\_2030\_Evidence\_Report\_English.pdf (40 pages)

**1.2. Audit Wales - Continued COVID-19 response alongside growing patient demand keeps NHS funding growing as three health boards breach financial duties again**

*Attachment*

 6.2 PRESS RELEASE Continued COVID-19 response alongside growing patient demand keeps NHS funding growing as three health boards.pdf (3 pages)

**1.3. Audit Wales Consultation on Fee Scales 2023/24**

*Attachment*

 6.3 Consultation\_on\_Fee\_Scales\_2023-24\_Eng.pdf (18 pages)

# **Public Sector Readiness for Net Zero Carbon by 2030: Evidence Report**

Report of the Auditor General for Wales

August 2022



This report has been prepared for presentation to the Senedd under the Government of Wales Act 2006, the Public Audit (Wales) Act 2004 and the Well-being of Future Generations (Wales) Act 2015.

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

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

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

© Auditor General for Wales 2022

Audit Wales is the umbrella brand of the Auditor General for Wales and the Wales Audit Office, which are each separate legal entities with their own legal functions. Audit Wales is not itself a legal entity. While the Auditor General has the auditing and reporting functions described above, the Wales Audit Office's main functions are to providing staff and other resources for the exercise of the Auditor General's functions, and to monitoring and advise the Auditor General.

You may re-use this publication (not including logos) free of charge in any format or medium. If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email [info@audit.wales](mailto:info@audit.wales). We welcome telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

# Contents

---

## Detailed report

Background	4
Confidence in meeting the 2030 collective ambition	6
Strategic direction and action planning for decarbonisation	9
Governance and leadership arrangements for decarbonisation	17
Financial implications of decarbonisation	19
Reporting progress on decarbonisation	22
Collaboration and engagement with other bodies, staff, and citizens	26
Barriers, opportunities and interesting practices on decarbonisation	30

## Appendices

1 Audit approach and methods	38
------------------------------	----

# Detailed report

---

## Background

- 1 Climate change is one of the world's defining challenges and it requires immediate action from everyone. A landmark [report by the United Nations](#) in August 2021 said that human activity is changing our climate in unprecedented ways and that drastic reductions in carbon emissions are necessary.
- 2 The latest climate projections for Wales show an increased chance of milder, wetter winters and hotter, drier summers, rising sea levels and an increase in the frequency and intensity of extreme weather events. The implications are clearly stark.
- 3 A crucial way to mitigate the further impacts of climate change is to reduce carbon emissions. In March 2021, following advice from the Climate Change Committee<sup>1</sup> in December 2020, the Welsh Government set [targets for a 63% carbon reduction by 2030](#), an 89% reduction by 2040, and a 100% reduction by 2050<sup>2</sup>. In addition, the Welsh Government set out a more challenging collective ambition for the Welsh public sector<sup>3</sup> to be net zero carbon by 2030 (the 2030 collective ambition).
- 4 In June 2021, the Welsh Government published its [Programme for Government 2021-2026](#) which puts tackling the climate and nature emergencies at the heart of the new government. The Programme for Government also makes a series of commitments to embed a response to climate change in everything the Welsh Government does.

---

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

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

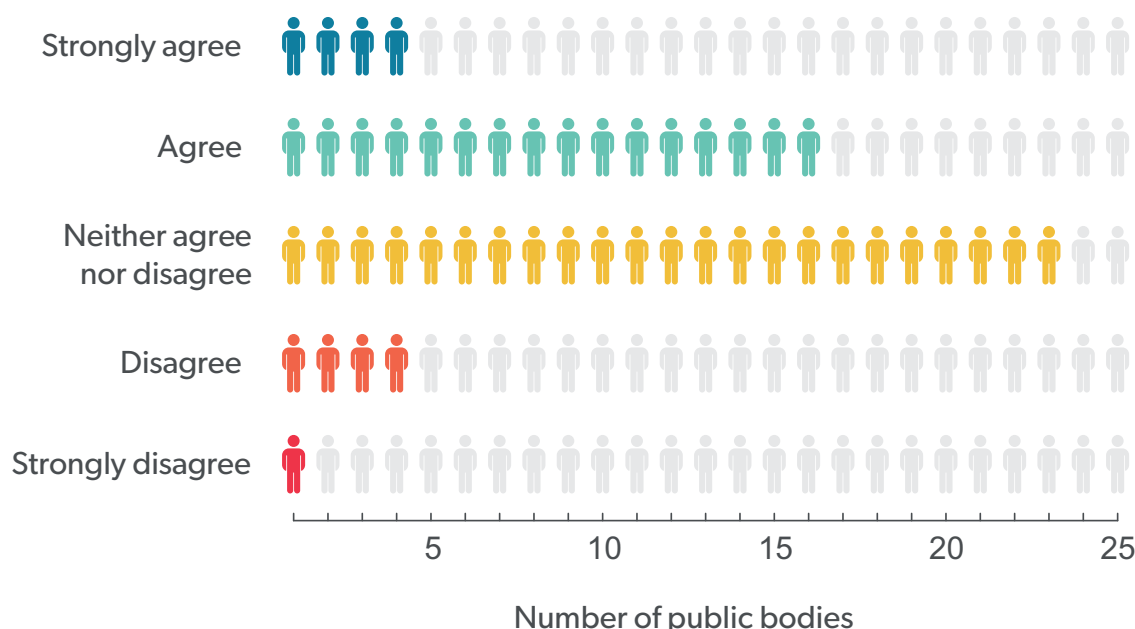
3 The Welsh Government's definition of the 'public sector' in this case covers 65 bodies as set out in Appendix 2 of the Welsh Government, [Public sector net zero data: baseline and recommendations](#), June 2022.

- 5 The Welsh Government has also published Net zero carbon status by 2030: A route map for decarbonisation across the Welsh public sector (the public sector route map) to support the Welsh public sector in achieving the collective ambition. Alongside the public sector route map the Welsh Government has published the net zero reporting guide and associated spreadsheet to allow the public sector to capture and report emissions on a consistent basis. Our separate key findings report provides further detail on the national strategic direction for decarbonisation and its underpinning policy and legislative framework.
- 6 The Auditor General has committed to carrying out a long-term programme of work on climate change. Our first piece of work is a baseline review that asks: '**How is the public sector preparing to achieve the Welsh Government's collective ambition for a net zero public sector by 2030?**'. To inform the baseline review, 48 public bodies, including the Welsh Government, completed a call for evidence. **Appendix 1** explains our audit approach and methods.
- 7 We have published two reports to share our findings:
  - a **key findings report**: a summary report, published in July 2022, that targets senior leaders and those with scrutiny roles in public bodies, with the aim of inspiring them to increase the pace of their work on achieving the 2030 collective ambition. In that report, we set out the overall conclusion from our work and five calls for action for organisations to tackle the common barriers to decarbonisation in the public sector. The key findings report also notes that application of the sustainable development principle and the frameworks provided by the Well-being of Future Generations (Wales) Act 2015 can be used to help organisations to decarbonise.
  - b **this evidence report**: supplementing the key findings report by providing more detailed findings and data from the call for evidence and our wider work.

## Confidence in meeting the 2030 collective ambition

- 8 We found considerable uncertainty (and clear doubt from some) about whether the collective ambition for a net zero public sector will be achieved by 2030. **Exhibit 1** shows that in our call for evidence, 20 out of 48 bodies agreed or strongly agreed they were confident that their organisation would meet the 2030 collective ambition, whereas 23 said they neither agreed nor disagreed and five disagreed or strongly disagreed.

### Exhibit 1: public bodies' responses to the statement, 'Our organisation is confident that it will meet the 2030 target to have net zero carbon emissions'



Source: Audit Wales call for evidence

- 9 For NHS bodies, the NHS Wales Decarbonisation Strategic Delivery Plan (the NHS plan) includes a target to deliver a 34% reduction in carbon emissions by 2030. This target is based on a calculation about the reduction in emissions that can be realistically expected from the 46 initiatives set out in the plan. Our evidence from NHS bodies indicates considerable uncertainty about meeting this target (as well as the more challenging net zero ambition). **Paragraph 50** provides further consideration of the barriers to achieving the 2030 collective ambition.

- 10 The evidence suggests there is a need for greater clarity on how the 34% target fits within the wider context of the 2030 collective ambition. The Welsh Government has deliberately set a stretching collective ambition to stimulate action, although it is not a statutory target. At the same time, the NHS has set itself a less stretching target of a 34% reduction by 2030, while other parts of the public sector do not have separate targets. The health sector accounts for around a third of the public sector carbon emissions in Wales<sup>4</sup>. If the NHS was to achieve only a 34% reduction in emissions, it would make it significantly more difficult to achieve an overall net zero position across the public sector.
- 11 **Exhibit 2** provides examples of what public bodies told us in relation to the 2030 collective ambition and the likelihood of it being achieved.

---

4 As set out in Public Sector Net Zero: data and recommendations, health boards and trusts produced 1,134,000 tonnes of CO<sub>2</sub> against a total of 3,279,000 tonnes produced by the public sector as a whole in 2020-21.



## Exhibit 2: some comments from public bodies about the 2030 collective ambition

- ‘We recognise the enormity of the challenge we face.’
- ‘We are committed to contributing to the Welsh Government’s ambition for the public sector to be net zero by 2030 and will endeavour to deliver on or exceed the targets it sets.’
- ‘Not yet sufficiently clear what it will mean in practice.’
- ‘We do not have complete confidence that we will be able to measure the results of our actions.’
- ‘It will involve decarbonisation action in areas that we have yet to develop decarbonisation expertise, for example, in procurement and local area energy planning.’
- ‘If our entire supply chains are not zero carbon, then we cannot be either.’
- ‘The council is committed to achieving its net zero ambitions, notwithstanding the challenges.’
- ‘The level of financial investment will be a driver in whether or not we achieve our ambition and how quickly we’re able to act.’

Source: Audit Wales call for evidence

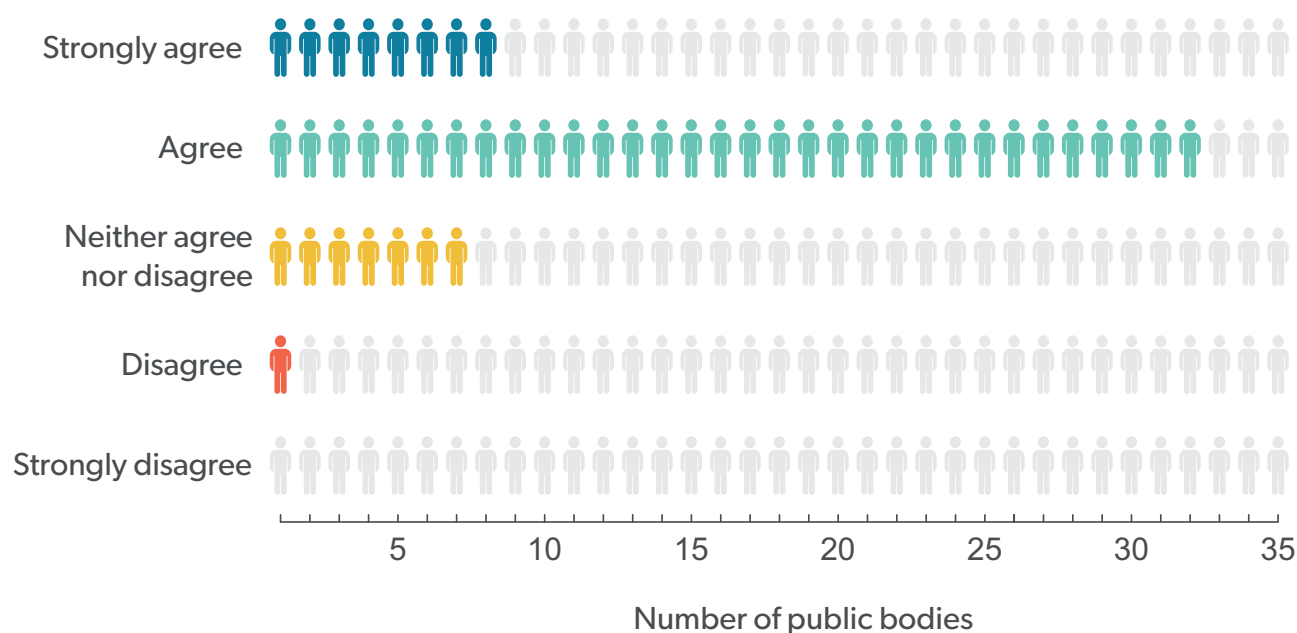
**“ We recognise the enormity of the challenge we face ”**

## Strategic direction and action planning for decarbonisation

### National strategic direction

- 12 **Exhibit 3** shows that public bodies were generally positive about the Welsh Government's strategic direction on decarbonisation. Public bodies were also largely positive about the way in which the Welsh Government had engaged with them through various channels over the approach to achieving net zero.

**Exhibit 3: public bodies' responses to the statement, 'The Welsh Government has set a clear strategic direction for public bodies in Wales to support the achievement of their 2030 carbon reduction targets'**



Source: Audit Wales call for evidence

- 13 **Exhibit 4** provides examples of what public bodies told us in relation to the national strategic direction.

**Exhibit 4: some comments from public bodies about the national strategic direction**

- ‘Welsh Government have set a clear strategic direction in terms of ambition and there is a clear and consistent message in terms of where we need to get to.’
- ‘We have used the strategic direction and guidance as a framework to develop an organisational climate change plan.’
- ‘The strategic direction has been set out clearly by Welsh Government but how we get there as local authorities, and the support we receive is not clear.’
- ‘I believe that the government could be offering more support ensuring that the guidance provided is consistent for everyone.’
- ‘Further work is required by (Welsh Government) to publicise the wider strategic narrative and tools available.’
- ‘The National (NHS Wales) Strategic Decarbonisation Plan provides a clear direction of travel for Wales and robust evidence base for the priorities within (our area).’
- ‘The NHS Wales Decarbonisation Strategic Delivery Plan sets out a number of actions with clear timelines.’

Source: Audit Wales call for evidence

**“ The strategic direction has been set out clearly by Welsh Government but how we get there as local authorities...is not clear ”**

- 14 The public sector route map is a key part of the national strategic direction. Some public bodies told us they view the public sector route map as a high-level thematic and strategic framework. They told us it sets the overall direction, and is an accessible, well-presented and user-friendly document. Several bodies made comments about the usefulness of the route map as a tool for explaining, identifying, developing and delivering actions. Some also told us that the route map was a valuable aid for explaining responsibilities and requirements to senior management, members and board members.
- 15 Nevertheless, several non-NHS bodies said they wanted more help to translate the strategy into local, day-to-day operations, through their action plans. These organisations told us that while the public sector route map provides a high-level template, they need more clarity, support and guidance on how to decarbonise. The Welsh Government told us that it deliberately designed the route map to be a high-level framework to assist public bodies in developing local solutions based on individual circumstances, rather than a one-size-fits-all approach. In addition, the Welsh Government does provide other sources of support to public bodies through the Welsh Government Energy Service and through the Wales Funding Programme, as set out in **paragraph 22**.
- 16 **Exhibit 5** provides a summary of some concerns public bodies expressed about the public sector route map. **Exhibit 18** expands on some of these concerns as part of a discussion about wider barriers to decarbonisation.

### Exhibit 5: summary of concerns from public bodies about the public sector route map

- **Timeliness:** Overall, public bodies felt there was consistency between the direction set by the Welsh Government and their individual approaches. However, due to the timing of the route map's publication<sup>5</sup>, some bodies had already started developing their own strategies and action plans so there is not always complete read across to the route map. There is an opportunity to fully align when strategies and action plans are refreshed.
- **Detail:** the public sector route map needs additional clarity, support and guidance on how to decarbonise.
- **Targets:** some of the targets and the timeframes to achieve them are very challenging.
- **Funding:** there is a lack of planned, long-term, external investment from the Welsh Government to support delivery.
- **Inconsistency:** potential for inconsistent interpretation of the guidance and the reporting requirements.
- **Calculations:** further detail and clarity are needed in the carbon calculator, specifically in relation to the procurement and land use themes.

Source: Audit Wales call for evidence

5 The Welsh Government chose to delay publication of the route map during the COVID-19 pandemic because it did not want to overburden public bodies at such a difficult time.

## Sector-specific strategies and support for decarbonisation

- 17 In the health and care sector, the Welsh Government has convened the Climate Change and Decarbonisation Programme Board for Health and Social Care, to help lead, support and give strategic oversight to decarbonisation work. Guidance on decarbonisation is available to NHS bodies through the NHS plan which was published alongside the public sector route map in May 2021. The Carbon Trust and the NHS Wales Shared Services Partnership developed the NHS plan, which sets out 46 initiatives for decarbonisation that will be assessed and reviewed in 2025 and 2030.
- 18 The NHS plan aligns with the public sector route map, provides more detail and allocates responsibility for initiatives and actions to different parts of NHS Wales. The NHS plan focuses on traditional areas of decarbonisation, such as buildings and transport. While these remain important areas of focus, the Welsh Government has acknowledged that the section on decarbonising healthcare<sup>6</sup> is less detailed, reflecting the developing practice in this area.
- 19 Our call for evidence responses from NHS bodies demonstrated a focus on and commitment to delivering the actions set out in the NHS plan. And while there appears to be support in the health sector for the NHS plan, the Welsh Government recognises there is scope to strengthen its co-ordination and leadership.
- 20 In local government, the Welsh Local Government Association is developing tailored support and guidance for councils on decarbonisation. The Welsh Government funds the Welsh Local Government Association transition and recovery support programme. Focussing on the key themes of the public sector route map, the programme provides a range of support including toolkits, commissioned research on interventions to achieve net zero, training to build knowledge and expertise, and events to facilitate sharing of best practice. The Welsh Government is also part of the Local Government Climate Strategy Panel which supports and gives strategic overview to decarbonisation work in local government.
- 21 The Welsh Government does not currently plan to produce specific decarbonisation plans for other sectors covered by the public sector route map. However, it acknowledges that more support and guidance may be needed for bodies outside of the NHS and local government.

---

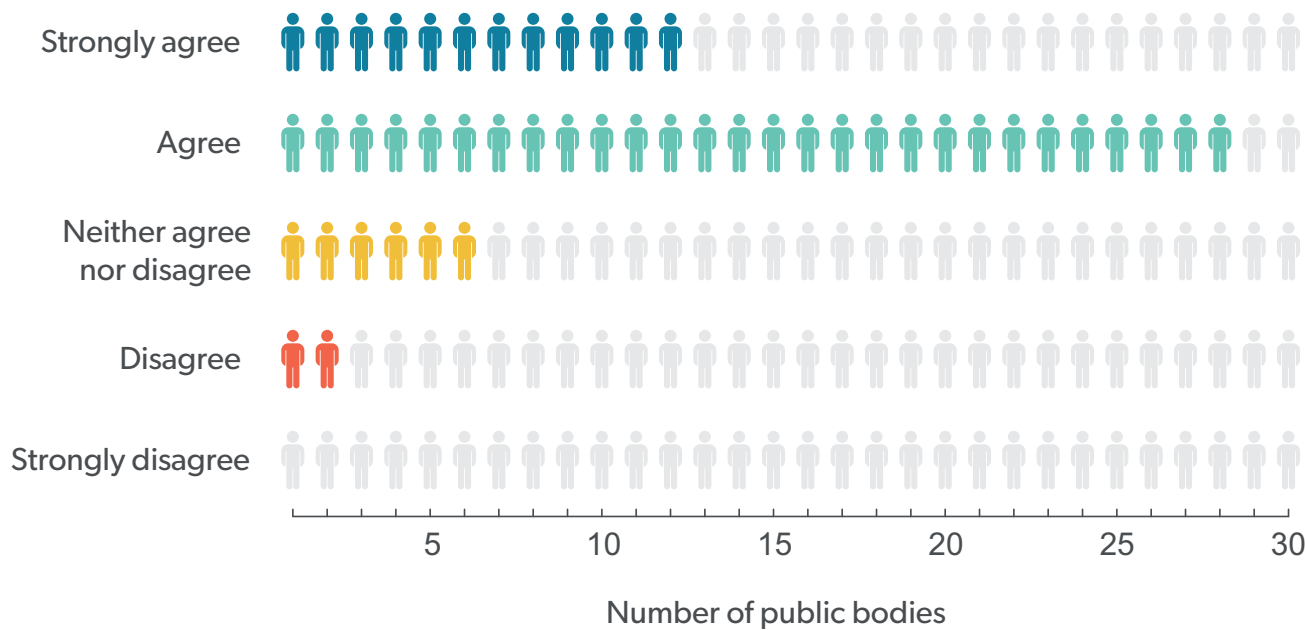
6 Decarbonising healthcare refers to reducing carbon emissions in health services rather than decarbonising the physical infrastructure surrounding healthcare. Examples include the use of medical gases and inhalers that involve greenhouse gases.

22 The Welsh Government is providing other central assistance on decarbonisation, including support through the Welsh Government Energy Service (WGES) and grant funding for various programmes. The WGES provides technical advice and other support to public sector bodies and community enterprises on energy efficiency, renewable energy projects and fleet improvements. The WGES annual report provides further information about the support it provides. The Welsh Government has made funding available for public sector decarbonisation projects through the Wales Funding Programme, which aims to make buildings and assets more energy efficient.

Local strategic direction

23 **Exhibit 6** shows that most public bodies were confident their organisation had set a clear, local strategic direction to deliver the 2030 collective ambition.

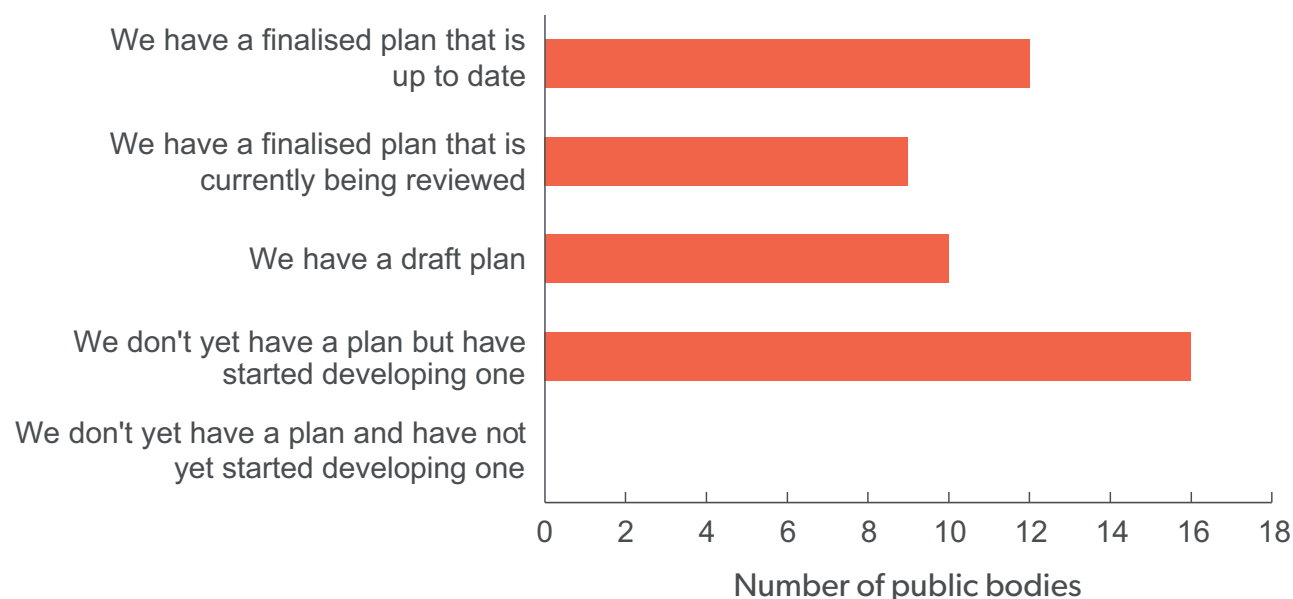
**Exhibit 6: public bodies’ responses to the statement, ‘Our organisation has set a clear strategic direction to support the achievement of the 2030 carbon reduction targets’**



Source: Audit Wales call for evidence

- 24 However, **Exhibit 7** shows that public bodies are at very different stages in setting out their action plans for decarbonisation. Within these responses, NHS bodies appeared to be a bit further behind local government.

**Exhibit 7: status of public bodies' action plans**



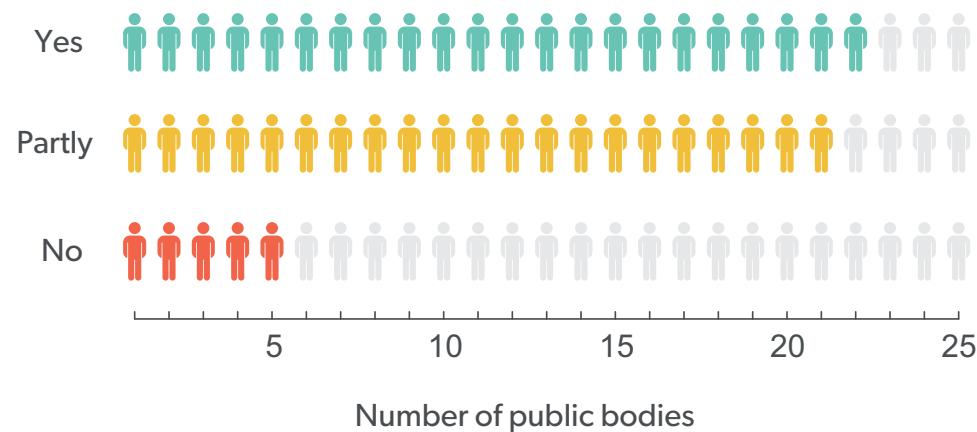
Note: One public body did not respond to this question.

Source: Audit Wales call for evidence

- 25 **Exhibit 8** shows variation in the extent to which public bodies are using the public sector route map to guide their own strategic approach, with five responding to say that they are not using it at all.



**Exhibit 8: public bodies’ responses to the question, ‘Is your organisation using the Welsh Government’s public sector route map to guide its approach to reducing carbon emissions?’**



Source: Audit Wales call for evidence

## Governance and leadership arrangements for decarbonisation

- 26 It is important that public bodies have effective internal governance and leadership arrangements to drive decarbonisation. Public bodies described various existing and new structures, including boards and dedicated senior staff groups. For example, all NHS bodies have an identified director or executive director to oversee decarbonisation. Responses to the call for evidence also acknowledged that clear structures are essential and need to be regularly reviewed to ensure they remain fit for purpose.
- 27 Public bodies recognised the importance of engaging all staff in the critical issue of decarbonisation, but they acknowledged that more needs to be done. Upskilling of staff through training was identified as key to supporting the delivery of the 2030 collective ambition. However, more needs to be done to ensure upskilling covers the whole staff base and not just senior leaders or those charged with governance.
- 28 **Exhibit 9** provides examples of what public bodies told us in relation to their governance and leadership arrangements for decarbonisation.

### Exhibit 9: some comments from public bodies about their governance and leadership arrangements for decarbonisation

- ‘A climate and nature emergency officer group has been established to lead, facilitate and support the delivery of the action plan.’
- ‘The health board has established a sustainability and decarbonisation programme board led by the Executive Director Finance.’
- ‘The council has just appointed ... a Climate Change Manager.’
- ‘We are building decarbonisation into the clinical model which will be operating in new hospital infrastructure going through business case stages.’
- ‘Some early adopter clinical departments are creating their own sustainability action plans.’
- ‘[We] will appoint a board director as decarbonisation lead (and senior responsible officer) and establish a steering group to oversee our decarbonisation programme.’
- ‘The Sustainable Group is chaired by the Executive Director of Strategy and attended by staff from across the health board, including clinicians and those networked into a wide range of partner forums.’
- ‘The council established its cross-party Climate Change and Ecological Emergency Working Group after declaring the climate and ecological emergency. The Working Group was supported by a team of officers.’

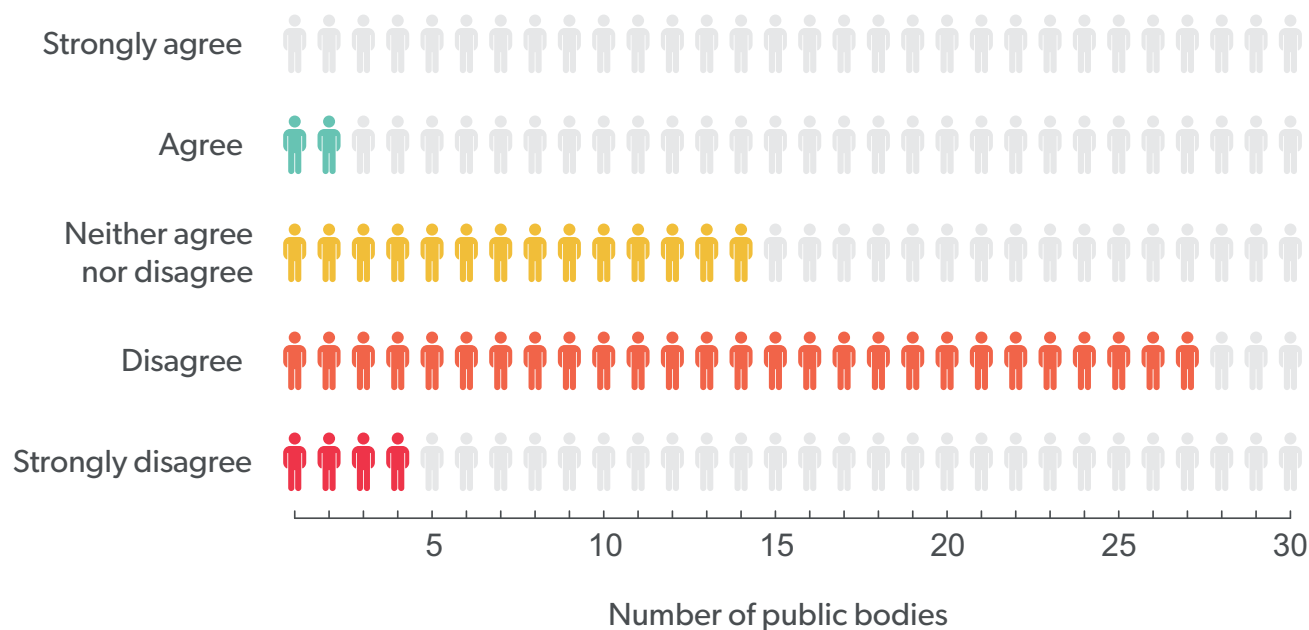
Source: Audit Wales call for evidence

**“ We are building  
decarbonisation into the  
clinical model ”**

## Financial implications of decarbonisation

29 **Exhibit 10** shows that most public bodies have not fully assessed the financial implications of meeting the 2030 collective ambition. A few responses to the call for evidence included costings of specific recent or imminent projects but we did not see evidence of fully costed, long-term decarbonisation programmes. We are aware that some public bodies have since developed more detailed estimates for short to medium-term expenditure.

**Exhibit 10: public bodies’ responses to the statement, ‘Our organisation has fully assessed the financial implications of meeting the 2030 carbon reduction targets’**



Note: One public body did not respond to this question.  
Source: Audit Wales call for evidence

30 In some cases, public bodies told us that they have not assessed the financial implications because they have not yet set out a clear set of actions and activities to achieve net zero. However, they were aware of the urgency and the need to increase the pace of implementing actions. Public bodies were very clear that decarbonisation at scale will require significant additional financial resources and that the absence of these funds will be a significant barrier to progress.

- 31 Public bodies need to plan their finances in such a way that they can deliver their decarbonisation strategies and action plans. This will require long-term planning because decarbonisation will need investment for many years. It will also require immediate expenditure because if the 2030 collective ambition is to be met, urgent action is essential. Public bodies told us significant long-term investment will be needed, particularly in relation to making their infrastructure fit for purpose to enable the decarbonisation of operations. However, public bodies expressed uncertainty over what additional funding would be available from the Welsh Government. They also pointed to the short-term nature of public sector funding and budget cycles making their longer-term financial planning more difficult.
- 32 The Welsh Government told us they are providing targeted funding for public bodies in certain areas but they also said they are unable to fund all activity required. The Welsh Government acknowledges that there will be additional costs in some areas and that funding will be provided to bridge some of those gaps, when moving to low carbon alternatives, for example, the increased cost of purchasing electric fleet rather than those powered by traditional fossil fuels. However, the Welsh Government said that as decarbonisation becomes increasingly mainstreamed into routine thinking, public bodies should not be focussed on additional funding, and they should move to a position where decarbonisation is funded through their existing budgets as a result of a strong business case.
- 33 **Exhibit 11** provides further examples of what public bodies told us in relation to the financial implications of decarbonisation.

### Exhibit 11: some comments from public bodies about the financial implications of decarbonisation

- ‘The financial implications of decarbonisation have not been fully considered.’
- ‘We recognise that we have further work to do on this front.’
- ‘The council recognises that achieving its net zero ambition will have implications for its budget in the short and long term.’
- ‘Until the council formulates a detailed fully costed 2030 net zero delivery plan the council is unable to accurately assess the financial implications.’
- ‘It should be acknowledged that funding will be required to deliver the aim of net zero by 2030.’
- ‘There are no cost estimates for medium-term levels of expenditure.’
- ‘The cost of decarbonising our clinical operations has not been estimated.’

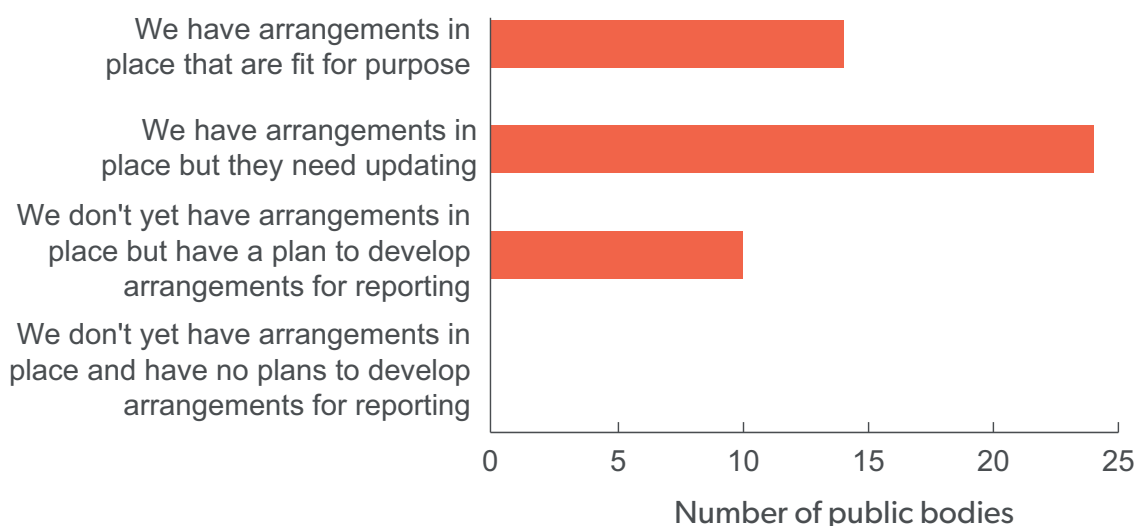
Source: Audit Wales call for evidence

**“ The council recognises that achieving its net zero ambition will have implications for its budget in the short and long term ”**

## Reporting progress on decarbonisation

- 34 Public bodies need to understand where their emissions are coming from so they can check if they are making progress and prioritise their actions. We found that data issues are a major barrier to having a shared understanding of the problem and to taking strategic decisions about the solutions. **Exhibit 12** shows that 14 bodies indicated they had reporting arrangements that they felt were fit for purpose, 10 did not have arrangements in place, and 24 had arrangements that needed updating.

**Exhibit 12: public bodies' responses to the question, 'Which of the following options best describes your organisation's arrangements for reporting on progress towards net zero carbon emissions?'**



Source: Audit Wales call for evidence

- 35 Current monitoring and reporting tend to be done through reports or dashboards to cabinet, council, board, scrutiny committee or other groups. Some bodies report on decarbonisation as part of reporting progress on their corporate plans or wellbeing objectives. Some responses pointed to dedicated climate groups and other arrangements that have been set up specifically to monitor and report on decarbonisation activity.
- 36 Overall, the evidence suggests there is scope for improved reporting on decarbonisation. This finding aligns with [a blog we published in February 2022](#) that called for clearer information on climate change actions to be included in public bodies' financial statements, to ensure greater transparency and accountability.

- 37 The Welsh Government has published a common reporting methodology (see **paragraph 5**) for public bodies to report their emissions through the Welsh Public Sector Net Zero Reporting Guide and net zero reporting spreadsheet. The Welsh Government asked public bodies to submit the first data by October 2021 for the 2020-21 financial year.
- 38 In responses to our call for evidence, public bodies generally recognised the usefulness of having a common reporting methodology but found aspects of the submission challenging and highlighted problems with the data collection in October 2021. Some responses pointed to concerns over calculation methods, particularly regarding supply chain. In relation to supply chain emissions, public bodies pointed to the fact that the calculation is based on the cost of the contract rather than the actual emissions generated by the product or service procured. Public bodies also called for further clarity of definitions to ensure consistent interpretation and reporting. Some responses also noted that existing systems were not able to capture the required data, and had to be updated, or new systems had to be put into place. This was often time consuming and resource intensive.
- 39 Public bodies pointed to some other concerns about the common reporting methodology. Some respondents said the way in which emissions from land use is reported is too simplistic.
- 40 NHS bodies also raised concerns about duplication with already established reporting on carbon emissions such those required by the Estates and Facilities Performance Management System<sup>7</sup>. This created confusion in the first reporting year. NHS bodies wanted further clarity to avoid duplication between these reporting requirements.

---

7 The Estates and Facilities Performance Management System is a comprehensive set of estates and facilities data. The Welsh Government set up the system in 2002 to improve the management of the NHS estate. It allows NHS bodies to compare performance against other NHS bodies in Wales and England.



- 41 The Welsh Government recognises improvements are required in the existing reporting approach and has committed to learning from feedback and improving methods and systems where required. The Welsh Government commissioned consultants, to review the first submission of data from public bodies and, in June 2022, the Welsh Government published the consultancy report, Welsh Public Sector Net Zero: Baseline and recommendations in full. The report states that the figures include significant uncertainty, particularly in relation to supply chain emissions, which it said represented 87% of public sector emissions. Plus, the data has not been thoroughly audited. The figures also suggest emissions across Wales for the public sector reduced by 5% between 2019-20 and 2020-21.
- 42 As this is the first year of the reporting guide, it is a period of learning, and the calculation for reporting emissions will be further developed where required. Following feedback from public bodies, and the review of the data submissions from an external consultant, the Welsh Government published a revised reporting guide and tool in July 2022.
- 43 **Exhibit 13** provides examples of what public bodies told us in relation to the monitoring and reporting on decarbonisation.

### Exhibit 13: some comments from public bodies about monitoring and reporting on decarbonisation

- ‘We followed the emissions reporting guidance as closely as possible.’
- ‘Two distinct areas need to be strengthened/clarified which are waste and supply chain.’
- ‘We appreciate the advantages of having a consistent format to aid our own and Welsh Government monitoring of progress.’
- ‘The supply chain emissions reporting method needs significant refinement in order to be considered accurate.’
- ‘Current data gathering and reporting functions require updating.’
- ‘We are developing the necessary reporting tools to meet the requirements of the Net Zero Carbon Reporting Guidance.’

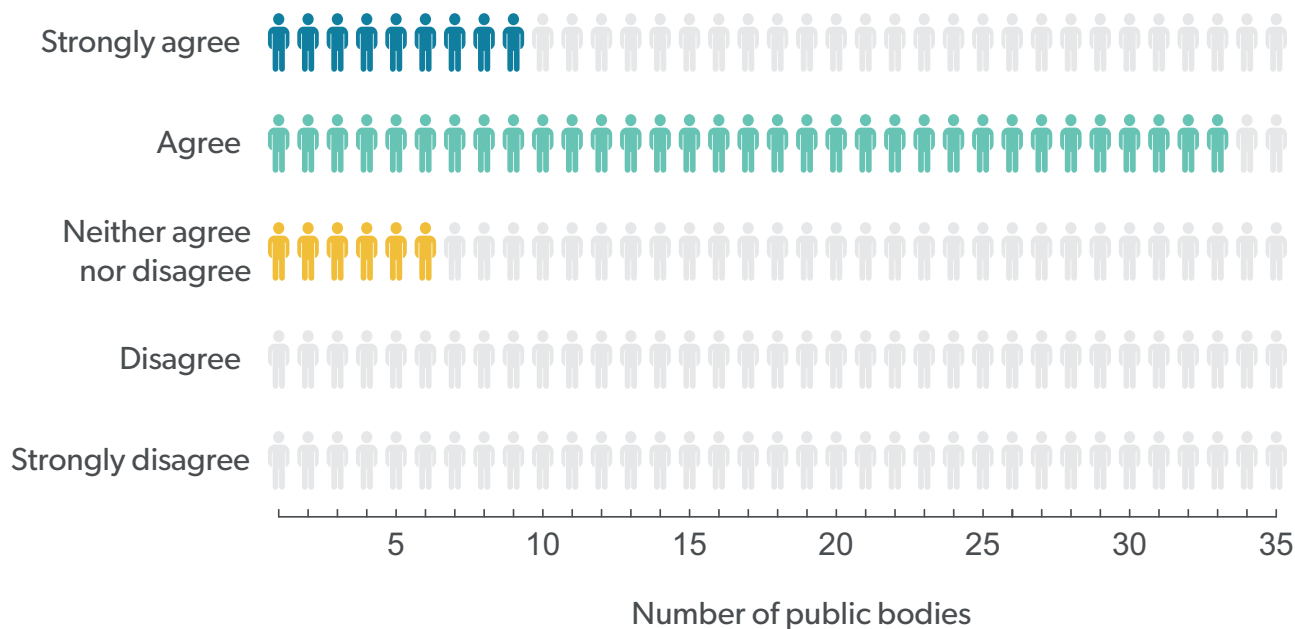
Source: Audit Wales call for evidence

**“ We appreciate the advantages of having a consistent format to aid our own and Welsh Government monitoring of progress ”**

## Collaboration and engagement with other bodies, staff, and citizens

- 44 To support collaboration and engagement at a national level, the Welsh Government published Climate Change: Welsh Government Engagement Approach 2022-26 in June 2021. The document refers to a Team Wales approach, where everyone in Wales plays a role in collective action on climate change. The engagement approach has two key objectives:
- to generate timely and effective engagement of stakeholders on matters of climate change; and
  - to strengthen and grow the coalition of Team Wales to tackle the climate emergency.
- 45 **Exhibit 14** shows that public bodies feel they are working well with other organisations on decarbonisation. And **Exhibit 15** sets out comments made by public bodies about their collaborative efforts to date and aspirations for the future.

**Exhibit 14: public bodies’ responses to the statement, ‘Our organisation is effectively collaborating with other bodies to achieve the 2030 carbon reduction targets’**



Source: Audit Wales call for evidence

**Exhibit 15: some comments from public bodies about collaboration**

- ‘Through the public services board (PSB) we have established a Climate Emergency Board which comprises existing PSB members, but also additional organisations including utility providers and our local university.’
- ‘As part of our Well-being Plan work, we are currently working collaboratively with our partners and are in the early stages of developing a Climate Strategy for the city.’
- ‘We are working closely with public sector partners through the North Wales Regional Leadership Board. We participate in the North Wales Decarbonisation Advisory Group.’
- ‘We have completed an informal analysis of who we need to work with, but we have not yet completed a formal analysis of partners.’
- ‘Collaboration between NHS organisations has been low, though is changing through Welsh Government setting up a Climate Change Programme Board.’
- ‘We have multiple representatives on the Decarbonisation Action Plan: Community of Experts. This will share learning and good practice across the health boards in Wales.’
- ‘We feel that a formal Welsh public sector decarbonisation working group would address some of the challenges faced by serving communities covered by multiple local authority agencies.’

Source: Audit Wales call for evidence

**“ We feel that a formal Welsh public sector decarbonisation working group would address some of the challenges ”**

- 46 Some bodies have set up their own local collaborative arrangements for decarbonisation, whereas other bodies are collaborating through Welsh Government or Welsh Local Government Association convened arrangements or through statutory fora such as public services boards. A significant proportion of bodies had also involved external experts in their decarbonisation efforts, such as the Carbon Trust.
- 47 Smaller bodies, such as the national parks and Welsh Government sponsored bodies, told us they have been collaborating well with each other. They said that due to their size, they are somewhat reliant on external expertise and advice in relation to decarbonisation.
- 48 Some public bodies acknowledged that their focus to date had been on establishing internal structures, rather than on external collaboration. And notwithstanding the responses shown in **Exhibit 14**, many public bodies agreed that collaboration and engagement needed to be strengthened.
- 49 There is scope for stronger engagement and involvement with staff and the public. **Exhibit 16** shows mixed views from public bodies about the extent to which they are engaging and involving their staff. And **Exhibit 17** shows that only 15 of the 48 public bodies we contacted were confident that they were effectively engaging with the full diversity of the population. Some public bodies told us about engagement with the public through mechanisms such as online surveys, social media channels and community groups but they generally acknowledged that this engagement needs to improve. This is significant as both our 2019 report on [fuel poverty](#)<sup>8</sup> and the Decarbonisation of Homes in Wales Advisory Group<sup>9</sup> found there are some difficult trade-offs between social justice and carbon reduction goals. Engagement with the full diversity of the population should help public bodies in their efforts to make a just transition<sup>10</sup> towards net zero carbon emissions.

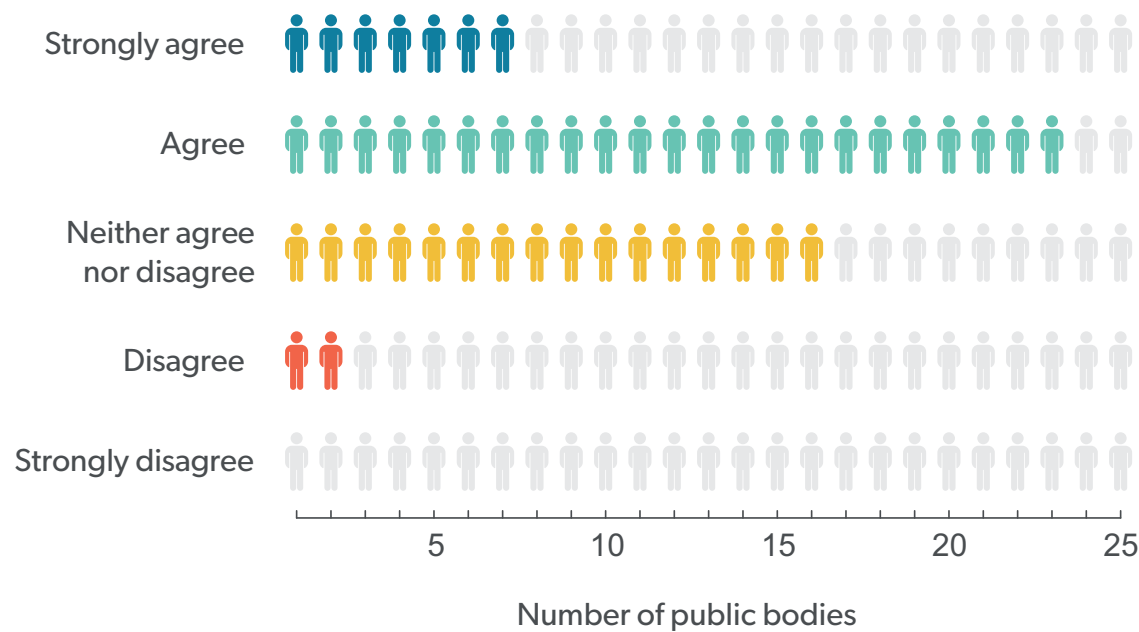
---

8 Auditor General for Wales, Fuel Poverty, October 2019

9 Decarbonising Homes in Wales Advisory Group, [Better Homes, Better Wales, Better World: Decarbonising existing homes in Wales](#), July 2019

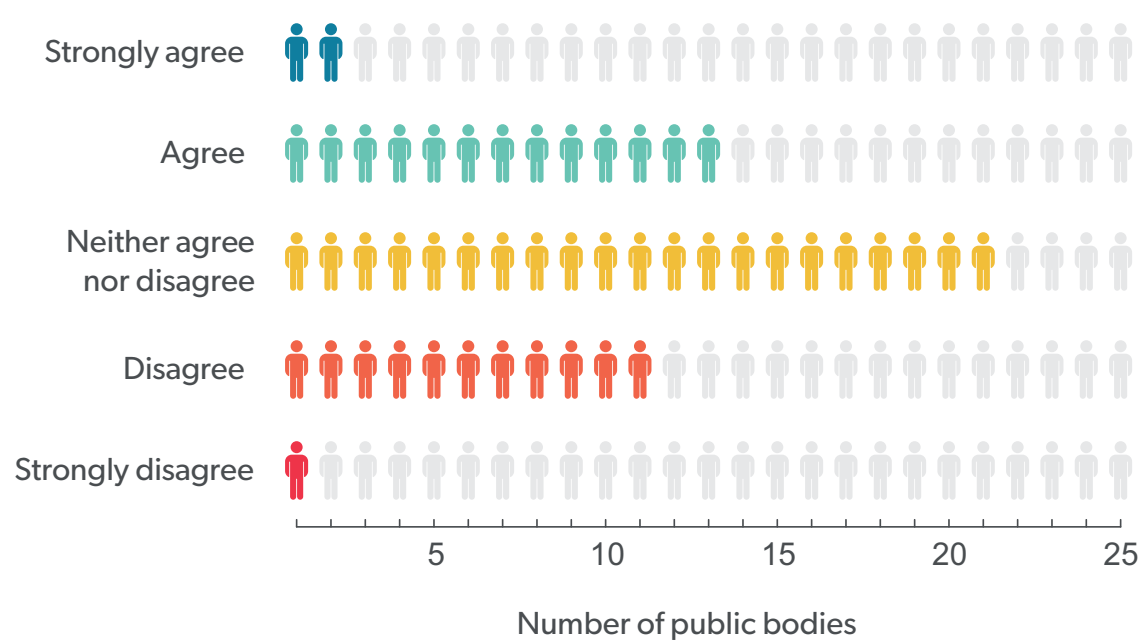
10 A 'just transition' means taking action on climate change and greening the economy in a way that is as fair and inclusive as possible to everyone concerned. Policy 1 in Net Zero Wales Carbon Budget 2 (2021-2025) sets out the Welsh Government's views on a just transition.

**Exhibit 16: public bodies’ responses to the statement, ‘Our organisation is effectively engaging with and involving staff to achieve the 2030 carbon reduction targets’**



Source: Audit Wales call for evidence

**Exhibit 17: public bodies’ responses to the statement, ‘Our organisation is effectively engaging with the full diversity of our population to achieve the 2030 carbon reduction targets’**



Source: Audit Wales call for evidence

## Barriers, opportunities and interesting practices on decarbonisation

- 50 We asked public bodies about the barriers to achieving the 2030 collective ambition. **Exhibit 18** summarises the barriers they told us about that were largely common across the public sector, many of which are explored earlier in the report. One common theme was that decarbonisation is complex, requiring significant investment and that many of the easy wins had been achieved. However, public bodies were aware that the pace of activity needs to increase and there are reputational risks of not doing so.

### Exhibit 18: summary of public bodies' views about barriers to meeting the 2030 collective ambition

#### Barriers

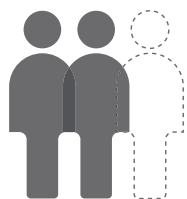
##### Finance



This was the most commonly mentioned barrier. Bodies pointed to the need for significant and sustained revenue and capital investment in the short and long term. They said there was a particular need for investment in improving infrastructure, estates, appliances and equipment that are not fit for carbon reduction.

These matters are discussed further in **paragraphs 29 to 33**.

##### Staff capacity and skills gaps



Public bodies told us existing staff capacity is stretched delivering public services. Decarbonisation is a complex area and public bodies feel they do not have the skills and expertise in this area. There is considerable competition for people with specialist expertise and knowledge.

Financial constraints make it difficult for some bodies to bring in additional staff. In addition, as the private sector can offer higher salaries, public bodies are at a disadvantage in attracting staff.

---

### Understanding the activities required



Public bodies are still building an understanding of the specific activities that are needed to decarbonise and how these should be prioritised. Public bodies feel that they need additional support and guidance on how to translate the strategic approach into action.

---

### Culture, education and training



Embedding decarbonisation in day-to-day activities can represent a significant cultural shift. Some public bodies told us that decarbonising is complex and it may be difficult to change longstanding approaches to delivery.

Some bodies said there is the potential for staff apathy to having to undertake additional decarbonisation activities on top of the day job. Significant communication with staff will be required to obtain buy in and extensive training will also be needed to upskill staff to deliver.

---

### Technology and infrastructure



Many new technologies are expensive and public bodies are cautious about investing due the risks of the technology not being effective or becoming obsolete.

In other areas, such as the development of electric-powered ambulances and fire appliances, public bodies told us the technologies were not developing quickly enough and in some cases were prohibitively expensive.

There were also concerns about a lack of electric charging points and insufficient grid capacity to cope with the growing reliance on electricity.

Supply and demand issues are also a problem in relation to some new technologies, where technologies are sought-after but are limited in supply.

---



## Data



Public bodies recognised the usefulness of having a common methodology for reporting carbon emissions. However, some responses pointed to concerns over calculation methods, particularly regarding supply chain and land use, and called for further clarity of definitions to ensure consistency.

Some responses noted that existing systems were not able to capture the required data, and had to be updated, or new systems had to be put into place. This was often time consuming and resource intensive. NHS bodies raised concerns about duplication with existing reporting arrangements on emissions.

## Joined-up approach



Some respondents told us that a wholesale change of thinking is required, with a more co-ordinated and joined-up approach across the public sector, driven by the Welsh Government.

One example given related to the assessment of new and emerging technologies. Public bodies were concerned about investing in technologies that were quickly superseded or were not best practice, so a single public sector-wide decision over what is best would help mitigate this risk.

## Third parties



Third parties have a role to play in helping public bodies move towards the 2030 collective ambition. For example, emissions from partners in the procurement chain, and the high demand for limited specialist resources and newer technologies such as electric vehicles meaning they are often not available.

The Office of the Future Generations Commissioner for Wales has recommended previously that public bodies should set out clearly how they have considered the carbon impact of their procurement decisions<sup>11</sup>.

Source: Audit Wales call for evidence

<sup>11</sup> Office of the Future Generations Commissioner, [Procuring well-being in Wales](#), February 2021.

- 51 While public bodies identified a range of barriers to achieving the 2030 collective ambition, they also see some opportunities associated with decarbonisation (**Exhibit 19**) and shared with us some examples of interesting practices that they felt other bodies could potentially learn from (**Exhibit 20**).

**Exhibit 19: some opportunities that public bodies told us about in relation to decarbonisation**

Public bodies highlighted opportunities to:

- build on the profile of climate change from COP26 to take advantage of the raised public awareness and build relationships with local communities and other stakeholders;
- increase collaboration with other organisations, to share best practice in working towards decarbonisation and to develop local procurement approaches;
- increase the use of new and developing technologies, realise cost savings from renewable energies and consider the economic and job creation possibilities arising from new green industries;
- increase awareness of the urgency of decarbonisation with staff, executives, boards and members, and to revise governance and leadership arrangements to ensure decarbonisation is incorporated into everyday business and decision making; and
- build on flexible working practices that arose during the COVID-19 pandemic to further exploit digital technologies in service delivery and everyday working.

Source: Audit Wales call for evidence

## **Exhibit 20: some examples of interesting practices that other bodies could learn from**

---

### **Cardiff and Vale University Health Board**

The health board is involved in an initiative called Green Health Wales to build a community of healthcare professionals who can share experience with their colleagues across the country. Green Health Wales aims to empower the health and social care sector with the tools and knowledge to address the climate crisis.

The health board has not estimated the cost of net zero building infrastructure on the current estate configuration, however, specialists in 2021 estimated that in a new-build scenario of the University Hospital of Wales and the University Hospital Llandough, the cost of net zero building infrastructure could be between £89 million and £266 million.

---

### **Denbighshire County Council**

The council established its cross-party Climate Change and Ecological Emergency Working Group after declaring the climate and ecological emergency. A key recommendation from the working group was to amend the council's constitution to include the need to have 'regard to tackle climate and ecological change' in the principles of decision making. The council has now formally committed to consider climate and ecological change when making all council decisions.

---

### **Swansea Bay University Health Board**

The health board is developing a trajectory tool to measure the impact of different scenarios of financial input into decarbonisation measures. It will use the tool to monitor the efficacy of its decarbonisation measures.

A solar farm is directly connected to Morriston Hospital which supplies 30% of its electricity.

---

---

### **Blaenau Gwent County Borough Council**

The council has been involved in establishing a mitigation steering group through the Blaenau Gwent Local Well-being Partnership, and residents' priorities have informed the group's work through the recommendations of the Blaenau Gwent Climate Assembly. The council, in its decarbonisation plan, has identified a number of transition pathways to follow in order to achieve net zero. Each transition pathway represents a coherent area of action with distinct, low carbon technologies, business models and infrastructure. These pathways have been developed to allow each to proceed at their own appropriate pace. Achievement of the pathways is supported by best practice readiness assessments adapted from tools developed by [Place-Based Climate Action Network](#) for [Leeds Climate Commission](#).

---

### **Rhondda Cynon Taf County Borough Council**

The council has established a '[Let's Talk](#)' engagement website where members of the public can leave comments and ideas about a range of climate change matters.

---

### **Natural Resources Wales (NRW)**

NRW's Carbon Positive Project, part funded by the Welsh Government to show leadership in how the public sector can measure and reduce its carbon impact, has informed the development of both the public sector route map and the net zero reporting guide. As part of the project, NRW is taking steps to not just reduce carbon emissions but enhance and protect carbon stored on the land it manages and share its experiences to encourage further decarbonisation in Wales.

---

---

### **Neath Port Talbot Council**

The council is collaborating with a private company that specialises in the re-use of waste gases from industrial processes to enable conversion into biofuels. The plan is to deliver a pilot project within Neath Port Talbot which will utilise waste gases from the steel industry. It is anticipated that once fully operational, the plant will generate 30 million gallons of biofuels for use in the aviation industry each year.

The council's Lost Peatlands Project seeks to restore more than 540 hectares of historic landscape and habitat, including peat bogs and pools, heathland, grassland and native woodland.

---

### **Numerous public bodies**

Several organisations gave us examples of:

- using the new construction or redevelopment of facilities to significantly improve their carbon footprint;
  - procurement of low emission vehicles;
  - installation of electric vehicle charging points;
  - renewable energy generation on site;
  - development of operational staff networks; and
  - installation of energy efficient heating and lighting systems.
- 

Source: Audit Wales call for evidence



# Appendices

---

## 1 Audit approach and methods

# 1 Audit approach and methods

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

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

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

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

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

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





Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

# PRESS RELEASE

31 August 2022

## Continued COVID-19 response alongside growing patient demand keeps NHS funding growing as three health boards breach financial duties again

### Our data tool shows the impact of the pandemic on NHS funding and NHS bodies' current financial positions

**After an unprecedented funding rise of £1.8 billion in 2020-21 (14.3% real terms increase), health services in Wales received an uplift of 0.2 billion (2% real terms increase) in 2021-22. Three of the seven health boards in Wales failed to meet their financial duty to break-even over a three-year period, however in a year of significant pressure, the in-year deficit across NHS Wales has remained fairly static.**

It has been another high-demand year for NHS Wales. The continuing impact of COVID-19 and significant increases in patients waiting for treatment have kept the NHS under constant pressure.

Despite the significant funding there remains an overspend across NHS Wales. Betsi Cadwaladr, Swansea Bay and Hywel Dda university health boards failed again to meet their duty to break even over a three-year period. However, against a backdrop of significant pressure, the total in-year deficit was fairly static at £47.4 million (£47.9 million in 2020-21) and the three-year cumulative over-spend across the NHS reduced from £233 million to £184 million.

NHS bodies continue to keep track of COVID-19 related expenditure. Monthly returns to the Welsh Government show they spent an additional net £0.88 billion in 2021-22 due to COVID-19, a 25% reduction on the £1.1 billion reported for 2020-21. Of this £0.88 billion, specific spend areas included £0.27 billion on vaccination, tracing and testing, £0.06 billion on personal protective equipment and £0.05 billion on field hospital/surge capacity. Staff pay due to COVID-19 related activity was £0.4 billion, of which £0.03 billion was on agency staff. This is only a small proportion of agency staff spend in 2021-22, which saw a 23% increase from the previous year to £0.27 billion across NHS Wales in the main to cover continuing workforce vacancies.

Positively, reported savings are increasing from the previous year, however a growing proportion are delivered through one-off actions such as delaying spend rather than driving efficiencies.

Strategic planning will be key to delivering transformation in the NHS and bodies are now moving back to longer term planning from the more agile annual plans used in the last 2 years. For those bodies who have not as yet produced plans that have been approvable by the Welsh Government, this may be a significant challenge.

This data along with further detail is set out in a [new data tool \[opens in new window\]](#) published today.

Auditor General, Adrian Crompton said:

“In the context of the ongoing pandemic and needing to respond to unprecedented service pressures, high levels of funding continued to be made available to the NHS in Wales in 2021-22. NHS bodies have faced the challenge of using that money to both respond to immediate service pressures and to also start to recover and reshape services to tackle backlogs and new patterns of demand.

The focus on recovery and remodelling must continue into the current year and beyond but our data points to challenges with the workforce as evidenced by a growing expenditure on agency staffing, and a need to develop a more strategic approach to service transformation. As the peak of additional COVID funding subsides, NHS bodies will need to use the reinstated medium term planning process to set out a financially sustainable path to service recovery and modernisation."

## Ends

**For more information, please contact Michelle Stephens on 029 2032 0582 or email [michelle.stephens@audit.wales](mailto:michelle.stephens@audit.wales)**

## Notes to Editors:

- Details of the impact of financial duty failures and other issues arising on the Auditor General's audits of NHS bodies' 2021-22 annual accounts can be found here:
  - [NHS spending increases as two health boards breach financial duties again](#)
  - [Auditor General qualifies his audit opinions on Betsi Cadwaladr University Health Board's 2021-22 Accounts](#)
- The Auditor General has issued a number of reports looking at key areas relating to COVID-19 and the NHS:
  - [Doing it Differently, Doing it Right? Governance in the NHS during the COVID-19 crisis – Key themes, lessons and opportunities](#)
  - [Test, Trace, Protect in Wales: An Overview of Progress to Date](#)
  - [Procuring and Supplying PPE for the COVID-19 Pandemic](#)
  - [Rollout of the COVID-19 vaccination programme in Wales](#)
  - [Taking Care of the Carers?](#)
- Recent reports issued by the Auditor General looking at key areas relating to current NHS pressures:
  - [A Picture of Healthcare](#)
  - [Tackling the Planned Care Backlog in Wales](#)
- The Auditor General is the independent statutory external auditor of the devolved Welsh public sector. He is responsible for the annual audit of the majority of the public money spent in Wales, including the £24 billion of funds that are voted on annually by the Welsh Parliament. Elements of this funding are passed by the Welsh Government to the NHS in Wales (over £9 billion) and to local government (over £6 billion).
- The audit independence of the Auditor General is of paramount importance. He is appointed by the Queen, and his audit work is not subject to direction or control by the Welsh Parliament or government.
- The Wales Audit Office (WAO) is a corporate body consisting of a nine member statutory Board which employs staff and provides other resources to the Auditor General, who is also the Board's Chief Executive and Accounting Officer. The Board monitors and advises the Auditor General, regarding the exercise of his functions.
- Audit Wales is the umbrella name for the Auditor General for Wales and the Wales Audit Office. Audit Wales is a registered trademark, but it is not a legal entity in itself.

**Archwilio Cymru / Audit Wales**  
[www.audit.wales](http://www.audit.wales)

You are receiving this e-bulletin because we need to communicate with you to publicise our

work in exercise of our supplementary powers, under sections 9 and 14 of the Public Audit (Wales) Act 2013, which is in the performance of a task in the public interest.

---

# Consultation on Fee Scales 2023-24

August 2022

## How to respond

Please respond by 16 September 2022.

Responses can be sent to the following address:

Fee scales consultation  
Audit Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Or completed electronically and sent by email to: [info@audit.wales](mailto:info@audit.wales)

If you require this publication in an alternative format and/or language please contact us using the details provided above or by telephone on 029 2032 0500.

## Publication of responses – confidentiality and data protection

Information provided in response to this consultation may be published or disclosed in accordance with access to information legislation (chiefly the Freedom of Information Act 2000, but also data protection legislation, including the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want any information you provide to be treated as confidential, you should tell us why you regard the information you have provided as confidential. If we receive a request for disclosure of information we will take full account of your explanation, but we cannot give any assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Auditor General or Audit Wales.

Personal data will be processed in accordance with data protection legislation. Where such data falls within the scope of a request for information from another person, the provisions of data protection legislation and the Freedom of Information Act will need to be considered in the particular circumstances. While no situation can be prejudged, this is likely to mean that information concerning senior officials and public figures is likely to be disclosed while the names and addresses of ordinary members of the public are likely to be withheld.

# Contents

---

How to respond	2
Publication of responses – confidentiality and data protection	2
Consultation	4
Fee scales for work undertaken under the National Fraud Initiative (data matching)	10
Fee scales for Local Government bodies	11
Unitary authorities	11
Local Government Pension Funds	12
Fire and Rescue Authorities	12
National Park Authorities	13
Police and Crime Commissioners	14
Town and community councils with annual income or expenditure under £2.5 million	15
Fee rates for other work in local government	16

# Consultation

---

You will be familiar with our annual consultation on fee scales, which we are required to do for Local Government bodies, but choose to consult on more widely so that all stakeholders have an opportunity to respond to our fee proposals.

Legislation requires that the fees we charge **may not exceed** the full cost of exercising the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work.

Audit Wales remain determined to minimise audit fees whilst ensuring that our audit quality continues to meet rigorous standards.

For 2023-24, we are facing significant cost pressures on both staff and non-staff costs, and whilst we have various initiatives in place to reduce our overall cost base, some of these increases will unfortunately need to be passed on as increased fees.

We have been working hard to identify efficiencies and have identified areas that will deliver savings of £2 million over the next 5 years on travel and accommodation costs.

We do, however, need to recognise cost of living pressures on our staff and need to make provision for pay increases in line with the rest of the public sector.

As set out in our [Estimate for 2022-23](#), we continue to make significant investment in audit quality to respond to recent UK-wide reviews<sup>1</sup> of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit. To maintain this investment in 2023-24, and to respond to pay and price pressures, we will need to increase our fee rates by an average of 5.5% in 2023-24.

We also plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

---

1 Competition and Markets Authority Review; Kingman Review; and Brydon Review



Our proposed fee rates for 2023-24 are set out in **Exhibit 1**.

**Exhibit 1: proposed fee rates 2023-24**

Grade	Rate (£ per hour) 2023-24	Rate (£ per hour) 2022-23
Audit Director	170	163
Audit Manager	130	122
Audit Lead	107	100
Senior Auditor	86	84
Auditor	62	60
Graduate trainee	54	51
Apprentice	40	39

The Senedd Finance Committee scrutinises us on our spending, performance and budget plans and the assumptions in this consultation are subject to their approval of our Estimate in autumn 2022 and our Fee Scheme early in 2023.

Further information on our work and our expenditure is provided in our [Annual Report and Accounts 2021-22](#).

**Facilitating thematic and cross sector reviews**

In the [supporting information for our 2022-23 Estimate](#), we set out that, as part of our emerging strategy, we would be asking the Finance Committee to switch the funding for some of our performance audit work in local government and health from audit fees to the Welsh Consolidated Fund (WCF) in our Estimate for 2023-24.

Specifically, this switch will apply to the 22 principal councils and seven health boards but not to other Local Government bodies or NHS Trusts and Special Health Authorities.

In its November 2021 [report](#) following scrutiny of the Estimate, the Finance Committee noted our proposal. However, it emphasised that ‘understanding the views of audited bodies will be crucial to gaining the Committee’s support’.

The elements of our performance audit fee that we are seeking to switch to WCF relate to delivery of 'thematic' or topic-specific reviews that typically involve audit work across a number of audited bodies (on an all-Wales and/or regional level) and often with a cross-sector or whole-system focus. We might also want to look at issues such as the Welsh Government's system leadership on the theme being examined, which cannot be funded from audit fees.

We see such reviews as adding value to our audit regime with their ability to give a whole-system view, helping improve the quality of services provided to taxpayers, and providing feedback on the Welsh Government's 'One Welsh Public Service' developments. We are therefore keen to make the delivery of these reviews as flexible and efficient as possible. The key constraints that we emphasised about the current funding model concerned:

- potential inflexibility in the way we disseminate findings – arising from any expectation from audited bodies paying fees that there would typically be an output specific to that body; and
- transactional complexity – given the need to balance time charging across multiple timesheet codes and with the 'charge no more than the full cost' requirements of the Public Audit (Wales) Act 2013, meaning we have to be careful that there is no cross-subsidisation from one body to another.

In determining how much funding we would look to switch to the WCF, we are looking to strike an appropriate balance between work funded locally and that funded through the WCF, and recognising that other existing WCF funding streams already provide opportunity for cross-cutting work. The key principles being:

- retaining sufficient local audit fee to support the delivery of work that is specifically focused on individual audited bodies, including risk assessment, examination of corporate governance and financial management issues (including WFG Act work), and individual bespoke audit projects arising from our local assessment of risks;
- ensuring sufficient local audit fee is retained to support our routine local engagement with audited bodies, including regular meetings with senior leaders in audited bodies, and attendance at board, council and committee meetings as necessary; and
- applying the proposal to larger audited bodies (principal councils and health boards) to which our thematic work more typically applies.

We anticipate that we will be reducing the fees for our local performance audit work by around a third (£1.3 million) and switching funding for this work to WCF. To hold the WCF harmless for this change, Welsh Government would be asked, assuming the changes proposed are agreed, to adjust budget decisions accordingly.

We believe a change to our funding model will support the direction of travel we want to take with our work programme by giving us improved flexibility to examine more cross-cutting and whole-system issues – and also make that journey more straightforward to administer from a financial management perspective.

We would welcome your views on whether you support this proposed approach.

## **ISA315 and audit quality**

Our audits for accounts ended 31 March 2023 will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard will have significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit. It is expected that audits – particularly in the first year of implementation (2022-23 audits) – will require us to use more qualified staff to deal with the higher level of judgement necessitated by the standard.

Our initial assessment of the impact of this richer skills mix is a potential average increase in the fee scales for our financial audit work of between 12% and 18%. This is an estimate at this point and will be reviewed following the implementation of our revised approach in the first half of 2023. We are aware that private sector audit firms have written to clients informing them that fees are likely to increase by up to 20%, as a result of this new requirement.

We recognise the concern that this increase will cause but the new standards inevitably mean higher costs and whilst we will continue to do everything that we can to keep costs down, we must ensure that our audits remain of high quality. Our Engagement Directors will discuss audit-specific fees with each body as we complete our 2022-23 audit risk assessment.

## Our draft fee scales for local government bodies

The remainder of this document provides the fee scales for local government bodies and the National Fraud Initiative. The scales show the range of fees we expect to charge for a typical audited body in that sector with actual fees being set in response to local circumstances. These scales are not required for any other sector.

I would very much welcome your response to this consultation by 16 September 2022, to inform the Senedd's review of our Estimate and Draft Fee Scheme for 2023-24.

Audit Wales are required to comply with Welsh Language Standards that provide for the Welsh language not to be treated less favourably than the English language. More information can be found on [our Welsh language arrangements on our website](#). When reviewing this consultation, we would welcome your views on whether you consider there to be anything in this consultation that undermines or supports this requirement. We would also welcome your thoughts on any revisions that could be made to support opportunities to use the Welsh language or ensure we do not treat the Welsh language less favourably than the English language.

Many thanks



**Adrian Crompton**

Auditor General for  
Wales

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 1 We invite your views on continuing participation in the National Fraud Initiative (NFI) on a nil-fee basis.
- 2 We are required to consult on and prescribe scales of fees for data matching for mandatory participants in the NFI. The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 3 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments. Our last biennial report identified potential savings and over-payments of £8 million across Wales’s public services, increasing cumulative savings to £42.9 million since 1996.
- 4 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2023-24
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

## Fee scales for Local Government bodies

- 5 We invite your views on the proposed fee scales which will apply to Local Government bodies for the audit of accounts 2022-23 and for 2023-24 Performance audit work.
- 6 Our audit of accounts fee scale takes account of an average increase of 15% related to the implementation of ISA315 as discussed above. We are continuing to review the impact of this new standard and will reflect the outcome in our Fee Scheme for 2023-24 which will be published early in 2023.
- 7 Our proposed performance audit fee scale takes into account the proposed switch of funding for around one third of our local performance work at Unitary Authorities to the WCF from April 2023.

## Unitary authorities

### Exhibit 3: draft fee scale for the audit of 2022-23 accounts

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	135	159	182	139
200	162	191	219	167
300	181	212	244	186
400	195	229	264	200
500	207	243	280	213
600	217	255	294	223
700	226	266	306	233
800	234	276	317	241
900	242	285	327	249
1,000	249	293	337	256
1,100	255	300	345	262
1,200	261	307	353	268

Exhibit 4: draft fee scale for 2023-24 performance audit work

All unitary authorities			Fee range	Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	70	74	84	105

Local Government Pension Funds

Exhibit 5: draft fee scale for audit of 2022-23 accounts

All pension funds			Fee range	Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	36	48	57	41

Fire and Rescue Authorities

Exhibit 6: draft fee scale for audit of 2022-23 accounts

Gross Expenditure £ million			Fee range	Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	40	46	53	41
40	48	56	64	49
60	53	62	72	54
80	57	67	77	59
100	61	71	82	62



Exhibit 7: draft fee scale for 2023-24 performance audit work

All fire and rescue authorities	Fee range		Previous Year	
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	17	17	17	17

National Park Authorities

Exhibit 8: draft fee scale for audit of 2022-23 accounts

Gross Expenditure £ million	Fee range		Previous Year	
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	24	29	33	25
4	29	35	40	30
6	33	39	44	34
8	35	42	48	36
10	38	44	51	39

Exhibit 9: draft fee scale for 2023-24 performance audit work

All national park authorities	Fee range		Previous Year	
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	22	27	21

Police and Crime Commissioners

- 8
- Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: draft fee scale for audit of 2022-23 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	68	78	89	69
100	80	92	105	81
150	88	102	116	90
200	94	110	125	96
250	100	116	132	102
300	104	121	138	106
350	108	126	144	111

Town and community councils with annual income or expenditure under £2.5 million

- 9
- Town and community councils in Wales are subject to a limited assurance audit regime.
- 10
- In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 11
- Charges for this work are based on time taken to the complete the audit at fee rate charges as set out in **Exhibit 1** on page 5.
- 12
- In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor’s concerns.
- 13
- It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2022-23 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£145 – £185	£170 – £200	£235 – £285	£360 – £440	£640 – £765	£850 – £1,100

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Limited procedures	£110 – £135	£140 – £165	£140 – £165	£210 – £265	£210 – £255	£210 – £255

Fee rates for other work in local government

- 14 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 15 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 16 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

**Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.**

Grade of staff	Complex grants staff mix	All other grants staff mix
	%	%
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/ apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers’ pensions return



Audit Wales

24 Cathedral Road

Cardiff

CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in  
Welsh and English.

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)