



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Good governance when determining significant service changes – **Caerphilly County Borough Council**

Audit year: 2016-17

Date issued: February 2017

Document reference: 118A2017



This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work comprised Sara-Jane Byrne, Tim Buckle and Non Jenkins under the direction of Jane Holownia.

Contents

The Council's approach to service change has been proportionate to the scale of changes it has made to date and it is strengthening its arrangements to prepare for potentially more significant future service changes.

Summary report

Summary	4
Proposals for improvement	5

Detailed report

The Council has a clear set of principles for determining service change that support its current vision, but it recognises the need to review its strategic vision and the principles	6
The Council continues to strengthen its governance and accountability arrangements and these have the potential to assist it to deliver future service change effectively	7
Options appraisals are generally sound and improving but there is a need for more consistency in the quality of information included	8
The Council's arrangements to engage stakeholders in service changes have been effective	9
The Council monitors the impact of service changes but arrangements are not systematic or transparent	10
In recent years, the Council has strengthened its governance and decision-making arrangements, and has responded positively to our audit reports	10

Summary report

Summary

- 1 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.¹
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision-making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven wellbeing goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs.'² This legislation emphasises the importance of effective governance in achieving wellbeing goals.
- 4 The focus of this review is on the effectiveness of Caerphilly County Borough Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, significant changes to the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.
- 5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'Delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period

¹ **CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007**

² **Welsh Government, Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**

September to November 2016, we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:

- ceasing the mobile customer service centre;
- independent sector domiciliary care – elderly – review of shopping service;
- parks and playing fields – cessation of pitch marking and handing over responsibilities to the clubs;
- closure of Bedwas swimming pool on Sundays;
- closure of civic amenity sites for one day a week;
- review of library opening hours; and
- review of day centre provision.

We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.

6 In this review, we concluded that **the Council’s approach to service change has been proportionate to the scale of changes it has made to date and it is strengthening its arrangements to prepare for potentially more significant future service changes.**

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the areas of improvement identified through our review.

Proposal(s) for improvement	
	The Council’s governance arrangements could be strengthened by:
P1	Introducing a more systematic and transparent arrangement for monitoring the impact of service changes.
P2	More clearly setting out in reports how feedback from engagement and consultation has been taken account of in developing proposals for service change.

Detailed report

The Council has a clear set of principles for determining service change that support its current vision, but it recognises the need to review its strategic vision and principles

- 7 To date, like most councils, the primary driver for service changes has been the need to deliver financial savings. In 2014, the Council agreed a set of principles that would underpin its budget and service change proposals and it has used these principles to drive service changes to date. These principles are:
- protecting front-line services where the Council can;
 - reducing expenditure on management and administrative costs;
 - increasing fees and charges where appropriate;
 - reducing, rather than removing services where possible; and
 - focussing on priorities and looking at alternative ways of delivering services.
- 8 We found evidence of the Council applying these principles to service change decisions, in particular, where Members have opted to reduce rather than remove a service. Examples of this include decisions to reduce the opening times of customer care centres and civic amenity sites rather than close some centres/sites altogether.
- 9 The Council has consulted stakeholders on the principles for service changes via a number of channels. Officers have recognised that the Council will need a new vision from 2017 and have begun to develop this for the newly elected Council to consider following the local government elections in May 2017. The Council is aware that it has not yet had to make some of the relatively significant or controversial decisions on service changes that other councils have made. The Council has not yet had to take such steps because it has had a prudent approach to its finances in the past. However, now that the financial climate has become more difficult, the Council accepts that more significant changes will be required. The Council set up a Business Improvement Board in June 2016 to monitor the progress with its key strategic projects, and it is now considering a number of work streams for more significant service change, such as for its leisure and waste services.

The Council continues to strengthen its governance and accountability arrangements and these have the potential to assist it to deliver future service change effectively

- 10 Roles and responsibilities in relation to developing and determining service changes are generally clear and understood by officers and members. Governance roles and responsibilities are set out in the Council's Constitution. As part of its improving governance programme, the Council undertook a number of training and awareness sessions to reinforce the understanding of these roles and responsibilities. Guidance relating to decision making is also available on the Council's intranet.
- 11 The Council has not had to make significant service changes to date, and has not needed to set up any specific governance or programme management arrangements to manage its service change programme as some other councils have done. However, in June 2016, the Council established a Business Improvement Board, and consolidated its policy team to strengthen corporate capacity and oversight of its key service change programmes.
- 12 The Council has reinforced the role and status of the Monitoring Officer and the Section 151 Officer. The Council's Corporate Management Team reviews the draft Council, Cabinet and Scrutiny reports, including those relating to service change. Other officers, with expertise in areas such as equalities and procurement, also review such reports where appropriate.
- 13 The Council has also undertaken significant work with officers and members to strengthen governance more generally and develop capacity and capability, for example in relation to transparency and report writing.
- 14 The Council is taking action to respond to the Well-being of Future Generations (Wales) Act (the WFG Act). The Council's report template and savings proforma both now include reference to the sustainable development principle. Senior officers have received presentations on the WFG Act and the Council has produced a guide for staff on the Act. We also heard from a number of members and officers during our interviews that the Council is actively trying to embed the sustainable development principle into its governance arrangements, and that the Council's Constitution was also due to be updated to reflect this.

Options appraisals are generally sound and improving but there is a need for more consistency in the quality of information included

- 15 We reviewed a number of service changes that the Council determined during 2015-16 and 2016-17 to date. We found that officers generally provide Members with a range of options in formal reports when service changes are proposed. We found one example where the Council considered only one option in relation to a reduction in opening hours of a swimming pool. However, the Council provided a reasonable rationale as to why it only considered one option.
- 16 We found that the Council did not always clearly articulate the criteria against which it assessed options for service change in reports, although we recognise that the approach the Council has taken has been proportionate to the scale of service changes considered to date. The Council has more recently developed a business case template for future service changes, which requires the inclusion of key criteria for assessing options.
- 17 Generally, we found that the level of information provided to Members in relation to options appraisals is appropriate and comprehensive. However, our review of the changes to the shopping service for the elderly found that officers were required to review the accuracy of some information provided to a scrutiny meeting, which resulted in significantly reducing the value of the potential saving. In future, as the significance of the service changes the Council considers potentially increases, it will be important for the Council to assure itself that it consistently provides accurate information to Members.
- 18 There is extensive and well-established use of pre-decision scrutiny in the Council and examples of early engagement of scrutiny in proposed service changes. This has enabled both the Cabinet and scrutiny committees to challenge and scrutinise options and proposals. There are examples where the Council has considered additional options for service changes following feedback from scrutiny committees.
- 19 The creation of its Business Improvement Board also provides the Council with an opportunity for better corporate oversight of significant service change programmes and additional challenge to proposals and options. However, the Business Improvement Board is relatively new and it is, therefore, too early to evaluate its effectiveness.

The Council's arrangements to engage stakeholders in service changes have been effective

- 20 The Council has effective mechanisms for engaging and informing stakeholders of service changes. We found that the Council actively feeds back the outcome of consultation to service users as well as signposting changes due to take place in affected services. The Council also provided the public with an opportunity to prioritise discretionary services as part of the 2015-16 budget setting process, and sought views on the future shape of its services for its 2016-17 budget process. Every two years, the Council also undertakes a residents' survey to determine levels of satisfaction with Council services.
- 21 During our on-site interviews, we found that there is active consideration of stakeholder views in decision making, for example about changes to its customer service centres. However, we also found that the Council does not always clearly set out in reports how it has used the feedback from consultation and engagement to inform subsequent proposals or decisions.
- 22 There are opportunities for stakeholders to find out about forthcoming Council business and to get involved in the decision-making process, particularly in relation to the Council's Scrutiny function. The Council's website has a [Get Involved in Scrutiny](#) webpage that clearly sets out the different ways in which the public can engage with scrutiny including suggesting items, giving views on items and attending to speak at scrutiny committee meetings. Scrutiny work programmes are accessible on the Council's website, and are regularly updated and relatively easy to find. They provide details of the issues to be discussed including the purpose of items and key issues associated with them.
- 23 However, when we examined the Council's webpages as part of the review, we found that the version of the Cabinet Forward Work Programme on the Council's website had not been updated. It is important that the Council ensures that the Cabinet work programme is accessible to the public and kept up to date on its website so that members of the public can see forthcoming agenda items. Cabinet decision notices are relatively easy to access on the website and these were up to date at the time we reviewed it.
- 24 As the Council begins to consider potentially more significant service changes, it will be important that it continues to assure itself that arrangements for engaging, consulting and communicating with stakeholders remain commensurate with the scale of any planned service changes.

The Council monitors the impact of service changes but arrangements are not systematic or transparent

- 25 The Council does not have a systematic process for monitoring the subsequent impact of its service change decisions. We found that officers are responsible for initially monitoring the impact of decisions and would then escalate any issues or concerns to Cabinet members and scrutiny committees. We found evidence of the escalation of issues to scrutiny committees where concerns had been raised. For instance, the Regeneration and Environment Scrutiny Committee raised concerns about charging for replacement waste bins and officers subsequently provided a report setting out the implications of re-introducing free replacement bins. We are also aware that the Regeneration and Environment Committee is due to consider the impact of the introduction of LED street lighting following concerns raised by Members. However, arrangements and criteria for monitoring the impact of decisions are not set out in business cases or reports relating to service changes. There is scope for the Council to formalise the process for monitoring the impact of service changes to help improve the transparency and effectiveness of current arrangements.
- 26 The Council has introduced a number of processes to ensure that the potential impact of service changes on groups with protected characteristics are taken into account in decision-making on service change. The Council produces equality impact assessments (EIAs) as part of its annual budget exercise. It has also produced guidance setting out when officers need to produce EIAs, including for service change, budgets and projects. In addition, equalities is a section in the Council's formal report template. The Council's equalities officer reviews all EIAs attached to reports and the Council's monitoring officer checks that applicable statements around equalities are included in reports to ensure that the Council has considered EIAs. The Council has also provided equalities training for Members.

In recent years, the Council has strengthened its governance and decision-making arrangements and has responded positively to our audit reports

- 27 We have undertaken a significant amount of work focusing on the Council's governance arrangements in recent years and the Council has responded positively to our findings, proposals for improvement and recommendations.
- 28 The Council has continued to review and strengthen its arrangements through its Improving Governance Programme and its Corporate Governance Board. The Council has also developed its governance arrangements in relation to service change. Developments include the introduction of the set of guiding principles referred to in paragraph 7 above, the establishment of the Business Improvement

Board, and taking account of the requirements of the WFG Act in its formal report template. The Council also has a scrutiny improvement programme and as part of this is about to launch a further peer observation programme with two neighbouring councils. The Council is able to demonstrate a willingness to learn from experience and consequently, implement changes to governance arrangements.

- 29 As the Council recognises that it has not yet had to make the more significant service changes that some other councils have made, there is an opportunity for the Council to learn from other councils' experiences in delivering more significant and potentially controversial service changes. This would help the Council to prepare for possible future challenges and the likelihood that more significant service changes will be necessary in the medium and long term.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru