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Dear Paul

Improvement Assessment

I am required, under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether Monmouthshire County Council (the Council) has discharged its duties and met the requirements of the Measure.

This letter summarises:

- My views on whether the Council has discharged its statutory duties in respect of improvement planning.
- My views on the Council's compliance with requirements to make arrangements to secure continuous improvement, based on work carried out to date by the Wales Audit Office and relevant regulators, including:
 - the Council's progress on areas for improvement and recommendations identified in my previous assessments;
 - any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
 - a brief summary of any reports of relevant regulators issued since my last report.
- My further proposals for improvement and/or recommendations.
- Updates to the Wales Audit Office work plan and timetable for delivering my Improvement Assessment work.

I shall update my views during the year and will provide a further letter by the end of November 2012.

The Council has failed to discharge some of its improvement planning duties under the Measure because it did not publish its Improvement Plan 2013-2016 within a reasonable timescale and should ensure that it acts more in accordance with Welsh Government guidance

I have reached this conclusion because my audit and assessment work found that the Council's improvement objectives and its annual improvement plan, the 'Improvement Plan Stage 1 Forward Looking Plan 2013-2016', (the Plan), met most of the requirements of the Measure for 2013-14. However, the Council did not publish its Plan 2013-2016 until 10 July 2013 which is not within a reasonable timescale¹. In order to meet its statutory obligations under the Measure the Council needs to put in place arrangements that enable it to formulate, scrutinise, approve and publish its improvement objectives in a more timely way. The Council planned to publish its report by the end of June 2013 but needed to make some unanticipated changes following comments arising from a meeting with the Council on the 27 June which delayed publication. The Council needs to allow appropriate time in its plans to allow members to comment fully on the proposed final Plan and respond to any agreed amendments arising through the democratic process.

The Plan is not easily accessible to citizens, it is available in hard copy and this states that it is also available in English and Welsh to download from the Council's website but we had difficulty finding it on the Council's website and a Welsh version was not available. The Council needs to make the Plan more easily accessible on its website and more readily available to specific interest groups.

For 2013-14, the Council has revised its improvement objectives and merged two improvement objective themes from previous years into one. For the five improvement objectives, the Plan includes an explanation of why and how they were chosen and how they reflect the key priorities for the Council. The improvement objectives focus specifically on areas where the Council is seeking to improve the quality of life for local people.

The basis for selecting each of the improvement objectives is clearly set out and includes service user feedback, Welsh Government priorities, strategic partners' views, stakeholder engagement and community issues. Each improvement objective also includes a section entitled 'why we have chosen this objective' that clearly sets out the rationale for the improvement objective.

¹ In the absence of exceptional circumstances, we would consider it reasonable to expect a council to make arrangements to formulate, scrutinise, approve and publish its improvement objectives before the end of the first quarter of the year to which they relate. The Auditor General's Letter to local authority Chief Executives dated 1 February 2011 provides further information.

For each of the Council's five improvement objectives, the Plan includes a summary of the activities planned for 2013-14 and sets out the resources available to support delivery. The specific actions and projects for each improvement objective are managed through the Council's service improvement plans. A section, 'how we will measure the impact of our work', identifies the evidence that the Council will use to judge its success, both in terms of delivering actions to support improvement and its progress in achieving the improvement objective outcomes. The Council has set these out using an Outcomes Based Accountability² framework which measures:

- How much?
- How well?
- Is anyone better off?

For some improvement objectives, such as the improvement objective focused on improving educational attainment, the evidence to judge impact and improvement is very clear, with actions and measures appropriately focused on attendance and attainment. In other improvement objectives, however, the measures to determine whether anyone is better off are not as robust. For example in improvement objective five, 'we want to remain an efficient and effective organisation delivering our priorities in conjunction with key partners, stakeholders and citizens amidst significant ongoing financial constraints', the Council identifies 'cost effective ICT provision and strengthening absence management' as key areas of focus for improvement.

The Council itself recognises that it needs to further develop how it measures and evaluates the outcome of its work. From the measurers identified in the section "How we will measure our work", it is not clear how improvement objective five will be achieved, nor how the measures of success link to the activities and intended outcome. There are currently no measures relating to sickness absence although we understand baseline information is being established and the measure, 'the number of times information is accessed from the website', is not a complete or robust measure.

² Outcome Based Accountability is focused on judging impact and outcomes and the difference services can make to peoples' quality of life.

Website access as a measure of performance needs to be considered in the context of changing the way in which the Council provides information and delivers services. It is not possible to determine if the website is achieving efficiencies without other measures to compare with, such as number of phone calls and face-to-face contacts. In addition, the Council has not used a range of measures to evaluate website success but has focused on the number of times its website is accessed. Information such as why the website was accessed, customers' satisfaction with the website, the number of repeat visits to the website, and the number of unsuccessful website transactions would provide a more robust assessment of performance. To determine whether anyone would be any better off as a result of the improvement objective, the Council has identified the 'level of influence of Monmouthshire Council Social Media use' as a measure of success, but recognises this measure does not support a robust and rounded assessment of success for this improvement objective.

The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 set out specific requirements for local authorities in Wales. They were required to develop and publish equality objectives and a strategic equality plan by 2 April 2012. There is significant alignment between the requirement to produce equality objectives and the 'Fairness' element that authorities must pay consideration to in setting improvement objectives under the Measure. The Council undertook an equalities impact assessment for each of its five improvement objectives and brief information relating to protected groups under the Equality Act is provided in the Plan. For example, improvement objectives focus on young people fulfilling their potential within the education system, and protecting young people and their families, older people and people with disabilities. The activities contained within the Plan will be subject to an equality impact assessment prior to implementation.

Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators it is uncertain whether the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year

I have reached this conclusion because:

The Council's "Your County Your Way" approach to delivering better and more efficient services is being embedded across the Council

The Council's approach to delivering continuous improvement is based on five interconnected approaches designed to deliver better and more efficient services for Monmouthshire citizens. The five approaches are:

- employing innovation and creativity to deliver better more cost efficient solutions to delivering services;

- agile working to allow more flexible, nimble cost effective responses to ways of working;
- seeking out excellent practise and using the learning to redesign and transform services;
- using customer and citizen engagement as the bedrock for change ensuring that whatever we do is based on what citizens tell us is important to them; and
- using systems thinking and doing to deliver better more cost effective services based on what matters to customers.

The Council has told us that these approaches have already delivered significant service improvements that have led to better services for citizens and cost efficiencies for the organisation. We will be reviewing and reporting on this later in the year as part of our assessment of the Council's performance.

Progress in addressing proposals for improvement made by the Wales Audit Office in previous assessments has been mixed

I have previously made a number of proposals for improvement and also noted some areas where we would undertake further work. The Council has not accepted all of the areas for improvement we identified in our recent work, such as the development of unit cost information and the development of service standards. Nevertheless, the Council uses unit costs and considers service standards as part of its system thinking approach to reviewing and improving services.

Its progress in addressing those proposals for improvement that it has accepted is mixed. The Council reports that progress has been made in some areas, for example: its work on ensuring services comply with the Welsh Language Act; the strengthening of its equalities impact assessment process; the update and sharing of its medium-term financial plan; the development of the Children's Services scorecard; and the improvements to the accessibility and publicity of the Council's performance assessment. Work in other areas, such as the implementation of the Ffynnon performance management system to support the Council's performance and programme management framework is on-going.

We will select a sample of proposals for improvement to evaluate the Council's assessment of progress and will report our findings later in the year. Where actions are ongoing, we will continue to monitor and report on the Council's progress in implementing them. Further information about our findings in some of these areas is provided separately in interim updates to the Council where appropriate.

The Council is taking action to strengthen its arrangements to monitor and report progress against the Wales Audit Office's proposals for improvement but the system is not yet effective or embedded into the Council's governance arrangements

The Council has recently revised arrangements to monitor and report progress against our findings and proposals for improvement. The Council's Senior Leadership Team³ is now responsible for providing oversight and ensuring actions are taken to address proposals for improvement. These arrangements are still being embedded and further work is required to strengthen these processes. For example, the new reports that the Council has developed to track progress do not set out clear lines of accountability or timescales for delivery of actions and improvements. They also do not provide an evaluation of the Council's progress in addressing the proposals for improvement. This means that it is not possible to assess whether progress is being made or to determine if this is on track. Without clear lines of accountability it is also not possible for members and senior officers to effectively challenge progress and hold those responsible to account.

Because these arrangements are still developing our work is ongoing. We plan to review the Council's arrangements and its assessment of progress and will report our findings later in the year.

Cabinet members recognise that they need to challenge and hold officers more to account for progress and performance and are taking steps to clarify the roles of members

As part of our work to assess the Council's corporate arrangements to secure continuous improvement, we interviewed Cabinet members and held a focus group with senior officers. We plan to meet with scrutiny members in the autumn.

The Council's Cabinet members and senior officers work closely together as one 'Strategic Leadership Team', jointly led by the Leader and the Chief Executive. The meeting provides the forum for the Cabinet members to discuss with senior officers major issues that need to be addressed. Relationships are constructive and are based upon members having strong trust and confidence in officers. Relationships have developed through close working arrangements, with members frequently attending officer meetings and getting involved in service delivery plans and issues.

³ The Council's Senior Leadership Team comprises of the Chief Executive, Corporate Directors and Officers who are responsible for Council services.

Cabinet members reflected on these arrangements following the recent Estyn inspection at an externally facilitated away day organised by the Leader, with the aim of helping to strengthen challenge, roles and relationships. Cabinet members recognised that, whilst the current relationships and ways of working had strengths in terms of shared ideas and vision, they also had some key weaknesses in terms of diluting members' ability to challenge officers effectively and hold them to account in relation to progress and performance. Currently cabinet members do not have role descriptions to make it clear what their role is and what is expected of them and the members we interviewed felt that some Cabinet members were unclear about their role. The Leader is taking steps to address this and role descriptions have now been drafted for discussion at Cabinet in September 2013. Cabinet members need to be clear about their role and need to ensure that they have the information they need to effectively challenge and hold officers to account.

There is currently no formal appraisal processes in place for Cabinet members, nor between the Leader and the Chief Executive. Cabinet members recognise the need to have a more formal approach to appraising officers of their performance.

As the Council is involved in many initiatives, members felt a more formal approach to strategic planning is also needed to clarify the Council's priorities and provide more detail on timescales and the outcomes/benefits to be achieved. Such an approach would enable members to more effectively monitor and evaluate progress and performance and hold those responsible to account.

Although the Council's performance is reported to Cabinet biannually for information, the Cabinet's focus has been predominantly on financial implications for services. The Cabinet recognises that it needs to strengthen its challenge and evaluation of the performance of services and the Council as a whole.

The Council is currently reviewing its performance framework. It is developing a new corporate performance management IT system, using Ffynnon⁴, with the aim of providing a more joined-up approach to its performance management across services. Information relating to performance, finance, risks, proposals for improvement and actions arising from the work of regulators will in future be loaded onto Ffynnon. Members need to engage with this review to ensure that their requirements for information are reflected and achieved.

⁴ Ffynnon is a nationally procured software solution to meet the performance management requirements of local authorities.

The Council is also developing a self-evaluation framework based upon ten questions with supporting evidence informed by the three directors' annual reports. The framework will also include reviews of governance and political and corporate capacity. Once collated, the information is to be reviewed by an external peer review team and will also be subject to independent review. The framework will not be fully implemented in time to inform the Council's 2012-13 performance assessment report at the end of October 2013, but the arrangements will be piloted and refined with the aim of being fully implemented to inform its assessment of performance report for 2013-14, to be published by the end of October 2014. We will assess the robustness and effectiveness of its new framework as part of our work.

A Ministerial Education Recovery Board has been appointed following Estyn's judgement that the Council's education services for children and young people are unsatisfactory

Estyn inspected the local authority's education services for children and young people in December 2012. Estyn judged the quality of current services to be unsatisfactory. Estyn also judged that the Council has unsatisfactory prospects for improvement. The Council has been placed in special measures and the Minister for Education and Skills has appointed an educational recovery board. The Council has submitted an action plan to Estyn setting out how it is addressing the recommendations of the December 2012 inspection and work is progressing with the recovery board.

The Council is good at managing its overall budget and whilst it continues to deliver essential services with less money, approved savings targets have not always been realised and some local services are becoming increasingly unsustainable

Following the May 2010 election, the UK Government carried out a Spending Review, which was finalised in October 2010. Overall, councils in Wales had a £155 million (3.8 per cent) real-terms reduction in their revenue funding from the Welsh Government in 2011-12. The indicative figures show that, in real terms, the revenue funding from the Welsh Government will be around £283 million (seven per cent) lower in 2013-14 than in 2010-11. The Welsh Government is challenged with meeting these cuts in funding for Wales, which means that all councils in Wales have to make difficult decisions on how they deal with reductions in funding, which are impacting directly on local services and people.

Councils are therefore under increasing pressure to reduce costs but still have a duty to have arrangements to secure continuous improvement. The scale of cost reductions required means that councils will have to look beyond immediate short-term savings and think more radically about how to take cost out of the business and how to sustain this in the longer term whilst still improving services. Cutting spending effectively requires departments to take a strategic overview to avoid an erosion of service quality in priority delivery areas. Councils should clearly prioritise what services matter most, based on an accurate, realistic assessment of the costs, benefits and risks of the options.

During 2012-13, we reviewed how well the Council was managing with less resources. We concluded that the Council was good at managing its overall budget and, whilst it continues to deliver essential services with less money, approved savings targets were not always being realised and some local services were becoming increasingly unsustainable.

We came to this conclusion because we found that the Council had arrangements in place to deliver savings but, whilst the Council corporately was able to demonstrate delivery of some savings as a result of its financial decisions, this level of information was not readily available within services. The Council had good processes in place to identify and agree savings for services but it did not know whether these approved savings were being delivered. We also found that services are identifying options for savings in line with the expectations of the medium-term financial plan but the implications of delivering savings on services is not always made clear or effectively challenged.

We also considered how the Council is reducing expenditure and delivering savings in specific services. Our review focused on three service areas – Environmental Health, Housing and Waste Management – to understand how well these individual services are planning and delivering savings. We found that Environmental Health services were managing with reduced budgets and performance was mostly improving but it was unclear if the service was sustainable in the medium to long term. With regard to Housing services, performance remained mixed and the limited capacity within the service and the increasing demand it faces suggests there are growing housing risks in Monmouthshire. Finally, Waste services were managing well with less resources and performance is mostly improving although this could be difficult to sustain.

In a time of diminishing resources and growing budget pressures, it is important for councils to engage with local people about the Council's services and to understand how changes in service delivery, as a result of budget decisions, are impacting on those that receive them. We found that residents in Monmouthshire use a wide range of Council services. Most of the residents we spoke to are satisfied with Council services, although a small number were unhappy. The residents we spoke to also felt that the quality of most Council services have neither improved nor declined in the last year. There is mixed awareness amongst residents we spoke to of the Council's plans for changes in how services will be provided.

The Council is improving the way it identifies and monitors savings targets

The Council is taking steps to address the difficult financial challenges it faces. The Council needs to save £2 million in 2013-14, increasing to £10 million in 2014-15. Historically the Council has agreed percentage reductions in budget but for 2013-14 it has revised how it monitors the delivery of identified savings targets. Previously, the Council focussed its monitoring on financial performance against the global departmental budget, but has now amended quarterly monitoring reports to specifically track progress against individual savings targets. During 2013-14, the Council aims to strengthen arrangements to monitor its progress in achieving the savings required.

In preparation for the medium-term financial plan, the Leader presented a 'state of the county speech' to full Council, setting out the context in which the Council will be operating in the future with projected 20 to 40 per cent cuts in non-statutory services.

Corporate arrangements for co-ordinating and reporting performance against the national strategic indicators are sound

Every council needs to have good information and use it well if it is to provide good services and make them even better. Our approach to data quality review aims to move the emphasis over time from substantive testing of all data systems and performance measures towards testing, and where appropriate placing reliance on, the Council's own arrangements for data quality assurance. We discussed this approach with the Council and shared our methodology.

The measures we selected for phase one of this audit were national strategic indicators which are used by the Council to judge how well it is delivering its improvement objectives and whether it is making a difference for its citizens. We found the Council overall had good systems in place to manage performance information and the two measures we assessed were recorded accurately. The Wales Audit Office has reservations about the robustness of data sourced nationally by the Welsh Government to measure the rate of delayed transfers of care for social care reasons per 1,000 population aged 75 or over (SCA/001) also the number of additional affordable housing units provided during the year as a percentage of all additional housing units provided during the year (PLA/006b). The Wales Audit Office has, therefore, decided to universally qualify these indicators for 2012-13.

For phase two of our work, we are planning to undertake a further assessment of the Council's arrangements for managing its local performance measures and we will report on the outcome of this work later in the year.

Recommendation

I have set out below one statutory recommendation for improvement under section 19 of the Measure. The Council must respond to this recommendation publicly within 30 days.

Recommendation

R1 Put in place arrangements that enable the Council to formulate, scrutinise, approve and publish its improvement objectives in a timely way to meet its statutory obligations under the Measure and make it more accessible to citizens.

Further proposals for improvement

I am also making some new proposals for improvement in this letter. Progress made by the Council in implementing the proposals set out in my previous reports and letters will continue to be monitored and reported.

Proposals for improvement identified in our service-based budget review (June 2013)

Improve service efficiency and value for money

- P1 Improve efficiency and value for money by:
- Identifying and agreeing what each service's statutory and non-statutory requirements are.
 - Determining the 'acceptable standards of performance' for each service (upper and lower) and publicise these to citizens.
 - Identifying and regularly collecting financial, performance and demand/need data on each Council service.
 - Analysing collected data to inform and understand the relationship between 'cost: performance: impact'.
 - Identify options for improving efficiency and maintaining performance to the agreed level through:
 - collaborating and/or integrating with others to reduce cost and/or improve quality;
 - outsourcing where services can be delivered more cost effectively to agreed standards;
 - introducing and/or increasing charges and focusing on income generation activity;
 - using grants strategically to offset Council costs; and
 - reducing activities to only focus on core statutory and corporate priority functions.

Delivering savings targets

- P2 Ensure approved savings targets are delivered by:
- addressing weaknesses in current budget monitoring information;
 - effectively scrutinising savings plans on an ongoing basis; and
 - challenging and holding services to account for their performance.

Further proposals for improvement arising from our 2013 Improvement Assessment work**Challenge and accountability**

- P3 Clarify the role of Cabinet members and ensure that they have the information they need to effectively challenge and hold officers to account.

Updates to the work plan and timetable

My Improvement Assessment Team will keep the Council informed of the detailed arrangements for the delivery of my assessment work.

The regularly updated work plan and timetable provides more detail on the work being delivered during this year's assessment and in particular how we will add value by focusing on jointly identified areas or services.

The work plan and timetable takes account of my consultation with improvement authorities over my proposals for 2012-13 performance audit work. In particular, I shall be asking my Improvement Assessment Team to consider during the year the reliance that we can place upon the self-assessment processes (including your review of governance in producing the Annual Governance Statement and your Annual Performance Report). I shall comment on this approach in my Annual Improvement Report.

I am grateful to the Council for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Government Business

Non Jenkins – Manager

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