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Torfaen County Borough Council Report by the Auditor General for Wales Preliminary Corporate Assessment – August 2010



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Image courtesy of Torfaen County Borough Council.

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The Council has good leadership and positive partnership arrangements and is taking steps to ensure its strategic thinking is translated into prompt and effective action within a challenging financial environment.

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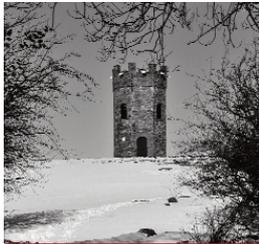
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Summary

- 1 The Auditor General is required by the Local Government (Wales) Measure (2009) (the Measure) to undertake an annual Improvement Assessment for each improvement authority in Wales, that is local councils, national parks and fire and rescue authorities.
- 2 In order to fulfil this requirement the Wales Audit Office will undertake:
 - a Corporate Assessment – an assessment of an authority's arrangements to secure continuous improvement; and
 - a Performance Assessment – an assessment of whether an authority has achieved its planned improvements.
- 3 The approach is designed to enable a whole organisation assessment at each council to be undertaken in a standardised way. Taken together these two assessments will form the basis of an annual report to citizens, known as the Annual Improvement Report.
- 4 The Auditor General has brought together her work, that of her Appointed Auditor, and that of other relevant regulators, to inform the Corporate Assessment. As this is the first year of a new approach the assessment is a preliminary one and this report should be viewed as a progress report. The Annual Improvement Report will also serve as an update for the Corporate Assessment.
- 5 In March 2010, the Auditor General identified the scale of the financial challenge facing public services in Wales in a report to the National Assembly A Picture of Public Services. The potential impact of spending reductions on local government has also been highlighted by the Welsh Local Government Association (WLGA), Chartered Institute of Finance and Public Accountancy, and the Society of Local Authority Chief executives. In evidence to the National Assembly's Public Accounts Committee in June 2010, the WLGA noted: 'There is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone.'
- 6 To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for increasing procuring rather than providing services and working in collaboration. The corporate assessment has been prepared in this context.
- 7 This report sets out the findings of the Corporate Assessment only and is designed to answer the question:

'Are the arrangements of the Torfaen County Borough Council (the Council) likely to secure continuous improvement?'
- 8 Where the Council's arrangements to secure improvement are developing, we will continue to monitor progress and, where necessary, will provide an update in our Annual Improvement Report to be issued in November 2010.



- 9 As this is a preliminary corporate assessment, there are areas where only limited work has been possible and so we have drawn on existing information sources. Where appropriate, our next Corporate Assessment in 2011 will be informed by more work in these areas.
- 10 The conclusion arising from our first Corporate Assessment is that **the Council has good leadership and positive partnership arrangements and is taking steps to ensure its strategic thinking is translated into prompt and effective action within a challenging financial environment.**
- 11 We based our conclusion on our assessment of the Council's progress over time and an analysis of the strengths and weaknesses of its arrangements to support improvement. These conclusions are explained in detail in Part 1 and Part 2 of the report respectively. We found that:
- the Council's stable leadership has helped ensure that difficult policy choices are implemented but strategic thinking has not always led to the planned benefits for residents; and
 - the Council's leadership and partnership arrangements are particular strengths but other aspects of how the Council plans and organises do not consistently support improvement.

Areas for improvement

- 12 The assessment has identified areas where we propose the Council considers taking action.

Exhibit 1: Areas for improvement

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| A1 | Evaluate the effectiveness of the Council's role in partnerships. |
| A2 | Formalise the medium-term financial planning process and publish the strategies for workforce planning and asset management to support the Council's vision and priorities. |
| A3 | Implement a programme that embeds performance management within the operational management of all services. |
| A4 | Put training in place to support inexperienced members to effectively discharge their remit. |
| A5 | Train and support the Audit Committee so that it can more effectively discharge its remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. |

Part 1: How the Council has approached improvement over time

The Council's stable leadership has helped ensure that difficult policy choices are implemented but strategic thinking has not always led to the planned benefits for residents

The Council has taken some tough decisions and made progress in difficult areas

- 13** The Council has 44 councillors, led by a minority Labour administration. The change from a labour majority to a minority administration in 2008 created challenges as newly elected members learned about local government administration and how to balance political expediency with effective decision making. Nevertheless, continuity of political leadership has helped the Council to take some difficult decisions, supported by the Chief Executive who has been in post since 2004. She has implemented a collaborative approach to working across the Council's directorate and service structures.
- 14** The Council has made progress in some difficult areas such as:
- agreeing to a school modernisation programme to rationalise school buildings and reduce surplus places;
 - transferring housing stock in 2007-08 to Bron Afon Housing Association to meet the Welsh Housing Quality Standard by 2012;
 - introducing alternative working practices and technology-based solutions to support flexible working, linked to an innovative office accommodation strategy; and
 - rationalising pay structures for staff by implementing single status ahead of other councils.
- 15** On 18 September 2009 the Appointed Auditor issued an unqualified audit report and in December 2009 the Auditor General's Appointed Auditor and Relationship Manager issued their Annual Letter. The Appointed Auditor held the opinion that the Council had complied with financial and performance improvement reporting requirements, but there were weaknesses in performance information and some improvements would secure better value for money. The Relationship Manager held the opinion that governance arrangements, strategic corporate planning and regeneration were sound but weaknesses existed in asset management, and some services to vulnerable people required improvement.



There are challenges in meeting the needs of local communities

- 16** While the total population in Torfaen has been relatively static, the number of residents of pensionable age is increasing while the number of residents under the age of 16 is declining.
- 17** The county borough contains two wards which are ranked among the 10 per cent most deprived wards in Wales and another in the 20 per cent most deprived, by current criteria. Other indicators of deprivation are also significant within the borough, such as high rates of teenage pregnancy and low levels of qualification amongst the workforce.
- 18** In 2008, 66.1 per cent of residents of working age were in employment which was the fourth lowest in Wales. Unemployment is increasing at a higher rate than the average for other Welsh councils.

The Council is changing how it organises itself to deliver services in a period of severe financial constraints

- 19** The Council has, over the last few months, been undertaking a review of the way that it organises itself at the senior level and initiated a wholesale restructuring. This builds on changes at a senior management level over the last five years, through which the Council has identified substantial cost savings. We will be undertaking detailed work to verify the extent of the cost savings planned and achieved, as part of our ongoing financial audit and performance assessment programme.

20 Senior management structures were reviewed and updated in March 2010 with a Deputy Chief Executive and two Assistant Chief Executives reporting to the Chief Executive. In 2009-10 the Council set a net revenue budget of £159 million and has a capital programme of approximately £40 million for 2010-11. The Council faces considerable financial pressures and compiled a three-year budget forecast from 2010-11 to 2012-13 in September 2009 which identified at the time the need to secure £29 million savings to maintain a balanced budget.

21 The Council has recognised it needs to develop a formal Medium Term Financial Plan and an accompanying workforce strategy to show how it can meet its significant financial challenges over the next three years. However, over the past two years it has concentrated its efforts on embedding a medium-term approach to its resource allocation and is now looking to develop a formal plan as well as updating the Corporate Plan. In addition, the Council is focussing on securing further efficiencies as a corporate project.

22 In the past, although the Council's strategies set out a clear direction and were underpinned by an established service planning process, they did not consistently result in actions that contributed towards delivery of corporate priorities. The Council has taken steps to address these weaknesses in its strategic planning for 2010-11.

23 The Council is in the final year of its Corporate Plan, originally published in 2006, and is currently developing a new one which will go live in April 2011. It has developed Improvement Objectives, as required by the Measure, by reviewing those priorities

included within the current Corporate Plan, whilst the new plan is being developed. If priorities change during the planning process, then the initial Improvement Objectives will be revised. The Improvement Objectives identified represent the needs of citizens and draw upon existing consultation and engagement.

24 The Council's Improvement Objectives are:

- helping frail people stay in their homes;
- improving the way we deliver our disabled facilities grants;
- improving access to welsh medium education;
- increasing waste recycling, reuse and reduction;
- providing opportunities for people to increase their skills for employment; and
- improving planning services.



Part 2: Analysis of the Council's arrangements to help it improve

The Council's leadership and partnership arrangements are particular strengths but other aspects of how the Council plans and organises do not consistently support improvement

The Council has good leadership that plays a strong role in supporting improvement

The Council benefits from strong corporate leadership

- 25** The Chief Executive is respected by those within and outside the organisation for her leadership. She established the 'Green Team' of senior officers which supports her role and provides strong, collective, senior management direction for the Council.
- 26** Senior officers also work well with the political leadership. The Policy Development Forum (PDF) of Cabinet and senior officers is an effective vehicle for collaborative working. It provides Cabinet members with an indication of possible future policy developments and enables detailed discussions to be held on relevant issues before decisions are brought before members more formally. Recent examples of the PDF supporting decision-making are the discretionary

rate relief policy and the accommodation strategy. The Council has also sought to develop a continuous improvement culture in recent years and senior managers have focussed much activity on achieving this. Examples include the work undertaken on establishing a 'golden thread' to better align the work of individual officers with delivery of corporate priorities and the creation of the Green Team, which has a focus on fostering an organisational culture of continuous improvement through openness and trust.

There is clear political leadership of the Council's strategic agenda and recognition of the need for greater public engagement

- 27** Processes for corporate planning and developing improvement priorities are led by members with good support from officers. Officers and members jointly developed five core priorities in workshops facilitated by Warwick University. These priorities informed the Council's Corporate Plan and provided a framework within which future decisions will be taken. The process ensured that members have full ownership of the Council's priorities and are clear about their responsibility for ensuring delivery.
- 28** The Cabinet comprises councillors that have a diverse range of skills and experience that are drawn upon to make appropriate decisions on complex issues, for example school and leisure centre closures. All such decisions are put before a weekly seminar where interested parties can

put forward their views and raise any issues or concerns. This approach ensures that well informed decisions can be taken, with representations from all interested parties.

- 29** Public services need to find ways of enabling citizens to have their voices heard on things that matter to them whilst managing citizens' expectations on what is possible with finite resources. The Leader of the Council recognises that there is a need to engage the public more effectively in determining the Council's priorities. Some good initiatives are being put in place to encourage community engagement but this remains a key area for further development and the full impact of this has yet to be demonstrated.
- 30** The Council has developed schemes for improving citizen consultation in collaboration with two other local authorities and partner agencies, which have been endorsed by the Assembly Government. As an example, the Council used an innovative ICT-based approach (*My Torfaen*) in 2009-10 to consult on street-light savings.
- 31** The Council is developing its approach to community engagement to ensure that it is more effectively focused. Rather than supporting a large number of specific, ad-hoc consultations the Council is currently establishing a Citizens' Panel and continues to seek expressions of interest for participating in it. The Council is also working with a specialist research and citizen engagement company (ISWE) to develop a web-based citizen engagement tool. This will collect citizen views and triangulate these with the ideas of staff and other stakeholders on service delivery.

The Council's leadership training programme has the potential to strengthen further the quality of corporate and political leadership

- 32** The Council is keen to develop members' skills and 'has introduced a number of opportunities for them to learn more about being an effective councillor'. This enables councillors to gain early experience of how the processes and mechanics of local government operate and to see how to work within the system.
- 33** During 2009-10, training for members has been delivered in the areas of planning, licensing, the Members Code of Conduct, and child and vulnerable adult protection. During 2010-11, there will be further member training through a collaborative funding approach with neighbouring councils in Gwent, partly funded by the WLGA.
- 34** The Council has developed in partnership an area-based leadership development programme open to councillors and officers from across the Council that will enable them to obtain a Masters degree in leadership. The Council has extended this offer to its partner organisations in the police, Assembly Government, health and voluntary sectors. Discussions with the WLGA and Welsh Assembly Government have indicated a keen desire to use this model across Wales, if the trial proves successful.



The Council's commitment to partnership working is positively supporting improvement

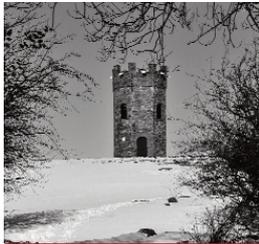
- 35** The Council demonstrates a strong commitment to partnership working across a range of services and functions, with the Chief Executive clearly taking a proactive lead in a number of difficult cross-cutting areas. There is evidence of positive outcomes and cost savings from some partnership working. However, whilst there is clear evidence that some partnerships work well and the Council is putting the arrangements in place to support effective joint working in others it is not always possible to demonstrate what real benefits partnership working has produced for local residents. Further work is needed to improve monitoring and evaluation of the effectiveness of partnerships.
- 36** The Council is actively involved in the Local Service Board (LSB). The LSB is still developing but the partners are working together effectively. The Council and Health Board Chief Executives as well as the Police Chief Constable attend meetings regularly. The Council has, with its LSB partners, developed a Public Service Framework. This framework provides a structure for public services in Torfaen to develop common approaches to planning, research and engagement; streamlined partnership working; joint commissioning and financial management; a common performance framework; and common public service tools. The Council will be entering into outcome agreements with the Assembly Government to deliver key outcomes shared with LSB partners.
- 37** Following the demise of the south-east Wales shared services project, the Council is exploring other ways of collaborating with neighbouring authorities and public bodies to identify capacity and capability across organisations and secure efficiencies in internal services. Recently, the Council agreed with partners to set up a Shared Resource Centre at Victoria House in Blaenavon, with the long-term aim of accommodating several public sector organisations within the Wales-wide collaboration agenda. Gwent Police are involved in this project and potential savings from shared IT and data systems have been projected for participating partners.
- 38** In addition, the five local authorities in Gwent together with the Gwent Police and Aneurin Bevan Local Health Board have set up a programme board to lead the efficiency agenda for the region on a total place type of model. The Chief Executives and Chief Constable have already met and agreed to lead seven work streams.
- 39** The Chief Executive worked with the Chief Executive of Torfaen Local Health Board to address continuing health care funding cases and with healthcare providers to address problems with delayed discharges. The Council has been the driving force behind the Gwent Frailty Project involving neighbouring councils and health partners, which aims to support vulnerable people to live independently.
- 40** A significant challenge to partnership working with the health sector was the demise of the Torfaen Local Health Board. This gave rise to some concerns that the formation of the new larger Aneurin Bevan Health Board, with its wider geographical and service provision remit, weakened existing relationships and the focus on local issues. To help to address this issue, the Council made a joint appointment

with the Health Board from April 2010 to determine the health priorities in Torfaen and to develop locality commissioning and management arrangements. This has the potential to enhance the pace and impact of joint working. However, the post-holder's enhanced role means that staff within social services have to fulfil some of her previous responsibilities within a department that is already stretched.

- 41** The Council is continuing its school modernisation programme and has secured capital resources of approximately £40 million from a variety of funding streams. The projects include :
- Crownbridge Special School, which will have a multi-site presence if funding is fully available;
 - the closure of two schools to provide a new 420 capacity school at Hollybush; and
 - the closure of a further three schools in Blaenavon to establish a new campus that will include a range of health, leisure and community facilities.
- 42** Prior to local government reorganisation in 1996-97 the Welsh medium secondary school Ysgol Gyfun Gwynllyw, located within the Council's current boundaries, provided this educational medium for the whole of the Gwent area. There was a presumption by partners that the responsibility for sourcing capital allocations and school buildings improvement grant rested with the Council. However, given the regional nature of provision at Ysgol Gyfun Gwynllyw, and the range of school development requirements that need addressing, the Council feels that it is appropriate for this facility to be jointly funded. Over the last 18 months, the

Council has been working with neighbouring councils to plan provision to meet current and future demand in a more efficient and cost-effective way. This will involve extending and refurbishing existing provision.

- 43** Joint working arrangements covering Health Social Care and Wellbeing, Children and Young People, Community Safety Partnership and Emergency Planning are all enabling progress against particular agendas. Other collaborations with neighbouring councils that demonstrate the Council's commitment to partnership include:
- innovative developments in Education and ICT to deliver a 21st century schools programme, involving a shared resource centre;
 - working with five other Welsh counties on a new £19 million project to help unemployed people into work through the Bridges into Work initiative; and
 - securing £7 million of Assembly Government funding towards the £15 million integrated development to provide a wide range of community services for the residents of Blaenavon and the surrounding North Torfaen and Heads of the Valley area.
- 44** The Council is also involved in a regional consortium of local authorities that is developing options for dealing with waste. Although the Council performs very well in relation to waste and recycling, progress with partners on developing regional solutions has been slow.
- 45** Although the Council shows a clear enthusiasm for partnerships, it needs to ensure that they support the Council's priorities and direction and that their performance is properly



evaluated in relation to delivering outcomes, enhancing capacity and capability and also delivering efficiencies. The Council regards collaboration as a key mechanism to achieve efficiencies from the joint use of budgets/resources alongside stringent financial and robust performance management arrangements. The Council is developing a transformational change programme to ensure that, together with its partners, it has the capacity to deliver services to a defined quality that the public want.

Governance arrangements have improved and are evolving to meet future challenges

- 46** The Auditor General has defined good governance as: 'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open honest, inclusive and timely way.' Effective scrutiny plays a key role in good governance by challenging decisions and examining performance. Cabinet members have a good understanding of the importance of the scrutiny function to good governance because many of them were previously chairs of scrutiny committees.
- 47** The Council has taken measures to ensure that the scrutiny function is focused on priority areas. Agenda setting is effective and the scrutiny work programme is devised by members using an innovative and objective scoring system. The remit of scrutiny committees relates closely to corporate plan objectives and not to traditional departmental boundaries. The Council intends to develop these cross-cutting scrutiny arrangements still further by involving other public agencies in scrutiny, based on community priorities and themes.
- 48** The overview and scrutiny process is developing and there is some evidence of the scrutiny function operating effectively but the Council recognises that it faces a number of challenges if it is to consistently deliver strong governance and scrutiny across all of its activities. Although the level of administrative support for scrutiny is adequate, the function is still requiring a high level of support from chief officers. It is not clear that this significant high level support is producing the desired benefit in terms of quality of scrutiny, possibly because some committee members are relatively inexperienced. Scrutiny committees need to ensure they have the right balance between experienced and new members so that they can be fully effective. Another factor affecting the effectiveness of scrutiny is poor attendance. To ensure effective discussion and challenge, councillors should ensure that they are able to attend.
- 49** There are indications that the more balanced political complexion, arising from a minority administration, is leading to some difficulties within Scrutiny in respect of constructive challenge. The current allocation of chairs of scrutiny committees is perceived in some quarters as being a contributing factor and is subject to a separate Assembly Government consultation.
- 50** The Council's Audit Committee has responsibility for ensuring that arrangements for good governance are in place and operating effectively. Changes in risk management planning could result in the 'Audit Committee' becoming an 'Audit and Risk Management Committee'.

51 Up to now, the Audit Committee has focused primarily on financial accounting governance and controls. It needs, however, to discharge its wider remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. This will involve exercising greater oversight of non-financial governance and controls to ensure that the Council's priorities, improvement objectives, projects, risks and performance are subject to appropriate scrutiny, challenge and evaluation.

52 The level of information reported to the Audit Committee should be improved to ensure that it gets positive assurances as well as being made aware of weaknesses. The level of information included within the approved Internal Audit Plan should be enhanced to include risk assessments, current assurance level, and types of review. This could be the basis for review by and engagement with the Audit Committee.

53 The Council should ensure that councillors on the Audit Committee are appropriately trained and supported to discharge these wider responsibilities. The Chair of the Audit Committee appreciates that there is scope for the Committee to enhance its understanding of its roles in connection with other committees and functions, and is eager for it to develop and improve.

54 From 2010-11 the Deputy Chief Executive will have responsibility for producing an Annual Governance Statement, within the Council's annual financial statements in place of the Statement on Internal Control. A fundamental requirement of the Governance Statement is a Code of Governance, setting out an authority's governance principles and

arrangements. The Audit Committee should obtain assurance that the Code is in place and operating effectively.

Policy and strategy, risk and project management are improving and the Council has identified further areas for development

The Council is improving the way it highlights and manages risks

55 A revised Risk Management Policy and new Risk Management Strategy were formally approved in 2009-10. Between March 2009 and February 2010 a number of improvements were made, including introducing a scoring matrix to quantify risk based on likelihood and impact, which provides a more consistent approach. To ensure all service areas accurately identify any potential risks facing the Council during the forthcoming financial year, new guidance has been issued which requests all Chief Officers to attach their proposed risks to activities highlighted in their Service Improvement Plans and to link any mitigating actions to address the risk within the team plans of their service areas. Each service area will have six-monthly meetings to consider service improvement and risk, the first of these were held in May 2010. Links will be made with the budget process from September 2010.

56 The Council's risk management and risk mitigation procedures are improving. The risk register is comprehensive, covering corporate priorities and also non-priority areas and supporting functions, but there are currently too many risks listed on the register, making it difficult to monitor the impact of mitigation measures. The Council now needs to build upon the new scoring matrix: it needs to ensure that management of service



risks is undertaken by services as an everyday management activity and increase the focus of the corporate risk register on the strategic risks to delivering priorities. In the current financial climate, it also needs to consider the impact of resource shifts that may lead to reducing or stopping services, as well as the impact on the sustainability of services of absorbing non-funded service pressures within budgets.

- 57** The Council is considering risks to the continuity of its services and functions. The corporate emergency plan is well laid out and well written. The most recent Local Resilience Forum business plan for 2010-2013 (dated February 2010) contains clear evidence that this is more than just a statutory document. Regular exercises are undertaken to test plans.

The Council is good at high-level strategic thinking but has struggled to consistently translate this into solid action

- 58** The Council has good arrangements for developing its high-level strategic direction, and politicians and partners are fully engaged. The current Corporate Plan was approved by Council on 24 October 2006 and is in its final year, a new one is in development. It sits at the centre of the Council's policy framework, underpins the Council's vision and values and is central to the Council's Performance Management Framework. Outcome statements within the Plan help to explain how the Council proposes to contribute to improving the quality of life and well-being of the people in Torfaen. The Council acknowledges that significant improvements will not be seen in any single year, but that over time the work of the Council and its partner organisations will contribute to achieving the outcomes.

- 59** A new service planning framework has been developed to maximise the linkages between the work of the LSB, the Corporate Plan, service area plans, team plans and individual work plans. These linkages will re-emphasise the 'golden thread' throughout the Council that will allow staff to see the importance of their work and how it contributes to improving the lives of citizens.

- 60** Each service area within the Council is required to produce a Service Improvement Plan (SIP) by 1 April of each year. These contain overarching activity statements which highlight the activities that service areas propose to deliver during the forthcoming year. The SIPs are designed to capture the high-level activities that will improve service delivery across the Council and clarify how the Council is working towards achieving the agreed outcomes. They do not contain detailed explanations of individual actions. At present, it is not clear to what extent delivery of the Council's improvement objectives will be monitored through its established project management system.

- 61** In the past, although the corporate priorities were generally clearly reflected in service plans, inconsistencies in the delivery and monitoring of outcomes meant that priorities had not always been achieved. The Council found it difficult to ensure that the 'golden thread' of its strategic aims was consistently owned and being delivered within services. For 2010-11 the Council has refined its improvement planning process. Each SIP is supported by a series of Individual Team Plans. These plans contain the detailed information relating to the actions of each team and link with the individual work plans of officers.

62 A standardised format for all SIPs is now used across the Council. This allows clear links to be established between all service areas so it is possible to see how the Council's resources (people, time and money) are being allocated to deliver the desired outcomes of the Corporate Plan. It also enhances opportunities for joined-up working and efficiencies by showing where more than one service area is contributing to the delivery of a single outcome. Once all SIPs have been agreed, the benefits from the activities and actions undertaken will be continuously monitored throughout the year using a series of agreed performance measures. The Council recognises that it needs to do more to ensure that its approaches to sustainability, equalities and regeneration are more clearly linked to SIPs and the Corporate Plan.

The Council's arrangements for programme and project management are evolving

63 Programme and Project management are monitored through the Corporate planning and objective setting process, supported by management overview, and delivered through team and individual plans. This will be further refined going forward through planned integration with the Ffynnon system and linking to the risk register.

64 The Capital Programme Review Board provides a useful forum for keeping abreast of all the major capital projects at the Council and highlights any financial or other risks on the schemes. The terms of reference are changing in 2010, with more specific emphasis on major projects and project officer accountability at meetings, together with increasing the overall emphasis on developing forward looking capital strategies.

65 Our recent review of asset management found that the Council did not have an agreed and consistent project management system or framework in place. Although some staff had been on PRINCE II (Projects in Controlled Environments) training, the approach at that time was loose and based on an individual's experience in developing and running projects. The Council was proposing to develop a bespoke software project management system to support management of larger (£1 million or more) projects.

The Council has a medium-term focus towards the appropriate use of resources which will be strengthened further when financial and asset management plans are in place

The Council has identified the scale of the financial pressures it will face in the future

66. The Council has a good track record of operating within its revenue budget, based on a monthly cycle of budget monitoring and quarterly spending reports to Cabinet. In developing the budget for 2009-10, the Council identified a budget shortfall of between £1.1 million and £3 million. All services (excluding schools and social care and housing service delivery elements) were requested to identify options to secure reductions of one, three and five per cent savings in their controllable budgets. However, the Council recognises that the scale of savings likely to be required to manage potential reductions in funding could be much greater.



- 67** Early preparation for the 2010-11 budget setting included providing members with best, possible, worse and most likely case scenarios over the next three years, together with a summary of cost pressures relating to inflation, budget issues from 2009-10 and increases in demand, totalling £29 million for the three years. Work-streams are being developed to address these issues.
- 68** A budget seminar in September 2009, reaffirmed the £29 million cost pressures. It also summarised key messages from a WLGA seminar that potentially between 20 and 30 per cent cost savings needed to be found in the next two to three years. Members were presented with potential areas of response to reducing operating costs by 30 per cent. These options covered quick wins, focused improvement, Council-wide transformation, pan-public-sector transformation and service prioritisation/rationalisation.
- 69** The Council faces big challenges to make efficiency savings, and is developing its transformational agenda by considering changes in policies. For example, home-to-school transport, system reviews and ways of collaboration. This is reflected in the budget set aside, in 2010-11, of £1 million to support transformation initiatives.
- 70** Exercises, such as this, have helped to highlight the scale of potential cuts in funding and their impact on the Council, which are starting to inform resourcing decisions, including the 2010-11 budget determinations. It has significantly contributed to the Council now making resource decisions based upon a medium rather than short-term approach.
- 71** However, the Council does not currently have a formalised medium-term financial strategy that identifies how the Council will close the funding gap and which provides a framework and timetable for key decisions. This is currently being developed, based upon a clear timescale that runs in conjunction with the updating of the Corporate Plan. The medium-term financial plan will need to be supported by clear assumptions to underpin forecasts and an analysis of the impact of changes in assumptions upon the strategy that are risk managed.
- 72** A Procurement Strategy was developed for 2007-2010, and will be reviewed and refreshed for 2010-2013. The Council has successfully developed partnership and collaborative working for procurement. Partnerships exist with Gwent Police and other councils and the Council is part of the Welsh Purchase Consortium, the Buying Solutions framework, Value Wales framework and has signed up to the Exchange Wales e-trading portal. The Council has recognised that further developments are required in procurement, and that it needs to establish where procurement fits within the Council and how it links to improvement objectives for all services.
- 73** The Council has improved its processes for accessing external funding. It has progressed from an ad hoc approach to projects and grants funding, with individual services applying without overall consultation, to a centralised 'External Fund database' (EFD) that can be managed corporately. This is supported by a grants funding external protocol.

- 74** For disabled facilities grants, the Council has recognised it needs to consider ways of improving its contracting arrangements to ensure it secures value for money on the individual grants it provides.

The Council has a sound approach to the management of education assets but needs to formalise its approach to managing other land and buildings

- 75** Although the Council has an understanding of its asset base, and a good approach to strategic asset management in education, its strategy to manage non-education land and buildings needs to be improved and be more consistent. The Council's land and buildings management arrangements need to be developed further and consistently applied to support tangible improvements in value for money, efficiency and service delivery. The Council does not have robust performance management arrangements to inform or deliver a Corporate Land and Buildings Strategy. As a result, the Council cannot demonstrate that it is securing value for money either from its strategic management of land and buildings, or from its operational management of land and buildings.
- 76** Future office accommodation needs are being addressed through, amongst other things, concepts such as 'agile working'. The Council recently agreed an interim accommodation plan to support its move from County Hall, and this has been done with partnership support from Gwent Police. The Council recognises that it does not have a formal asset management plan or a medium-term financial plan but has arrangements in place to address building upon the medium-term approach already in evidence.

The Council recognises that it does not yet manage performance and workforce planning consistently well and aims to address this

Despite some positive operational developments regarding people management, there are some strategic weaknesses

- 77** The Council has made good progress on a number of people management issues but the lack of strategic workforce planning is a problem, particularly in the light of identified financial pressures. The Council has, however, developed a draft 'people plan' and is putting in place arrangements to develop a Human Resources (HR) workforce plan. The Council has implemented single status and equal pay ahead of other Welsh local authorities and is progressing with other aspects of people management including restructuring its internal organisation, developing alternative and more flexible ways of working and also linking individual appraisals more clearly to the corporate plan.
- 78** The Council has developed alternative, more flexible approaches to working over a number of years. Ideas have been shaped by a cross-organisational project team overseeing the development of a number of pilot studies and, more recently, the first successful large scale roll out, which involved around 70 staff. There will be an expectation that the whole of the organisation will begin the process of moving towards new, more flexible ways of working and in particular the seven desks: 10 officer ratio.



79 Human Resources policies and procedures have been revised to reflect the changes arising from the transfer of staff to Bron Afon Housing Association, as well as the recent restructuring and single status implementation. The Council has developed its 'People Plan' as its strategic HR document. The People Plan supports the Council's vision for being supportive, fair and effective. It is an outcomes-based plan. The plan shows outcomes, activities, responsible officers and how they support the Council's vision. Although the plan has been through the formal approval process, Chief Officers are to consider it further at an away day in 2010. The plan will need to reflect the transformational changes envisaged over the next few years

80 'Worksmart' replaced the Achievement and Development Interview (ADI) process as a result of the recent Investors in People report and seeks to ensure that individual officer objectives are linked to the Corporate Plan. Similarly a Performance Assessment Framework (PAF) will be developed and implemented across the Council over time.

81 The Council has yet to develop a full workforce strategy. A number of major work programmes and initiatives will impact on the availability and nature of skills the Council will require, including service modernisation and re-engineering supported by more flexible working and greater partnership collaboration. These changes are likely to lead to overcapacity in some areas and skills shortages in others. The Council recognises that it needs to develop its vision for the future size and the shape of service provision so as to manage any gap between its current staffing capacity and capability and its future needs.

The Council's performance management suffers from data quality and cultural issues that hinder the effective use of performance information

82 The Council has good arrangements for strategic and service planning but there are weaknesses in performance management arrangements to support monitoring, reporting and evaluation. Currently, there is no comprehensive suite of performance indicators to measure effectively the delivery of corporate priorities. This is being addressed through the new Service Improvement Plans and there are some early indications of the better information that is being produced, but these need to be developed further along with the 'golden thread' concept.

83 Although there is a high-level commitment, a culture of performance monitoring is not yet fully established in the Council at all levels. There were significant weaknesses in the collation and validation of performance information in 2008-09. Problems were identified with the reliability of the Council's data for 17 of the 27 National Strategic Indicators tested in detail, almost two-thirds of them.

84 Data quality issues call into question some of the apparent improvements that the Council has achieved, for example in education attainment. An internal audit review of data quality has led to a better understanding of the sources of the problems. In part, these arise because current arrangements for measuring performance and assembling and reporting performance management information vary according to service area and involve the use of several different systems.

- 85** Improvements in performance management are necessary to support the delivery of improvement objectives and a range of other improvements, many of which will depend upon an understanding of local rather than national performance indicators. The Council is developing its reporting arrangements to measure 'cost per benefit' rather than 'cost per unit'. This will more readily facilitate the comparison of different activities and their respective contribution to the delivery of corporate objectives, rather than just cost per unit which restricts comparison to like-for-like activities.
- 86** The Council's introduction of the Ffynnon pan-Wales performance management system could establish more accuracy and consistency in how performance information is collected, assembled and presented. It also needs to support a change in culture so that the performance management system supports the operational management of performance as well as providing information to facilitate reporting.

