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Cardiff Council

Report by the Auditor General for Wales

Preliminary Corporate Assessment – August 2010



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Image courtesy of Cardiff Council

The Auditor General's Corporate Assessment Team for Cardiff Council was led by Steve Barry under the direction of Jane Holownia (Partner).

Cardiff Council's (the Council) approach to improvement is developing well, supported by largely effective arrangements and strong leadership

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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 the 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 The report sets out the findings of the Corporate Assessment only and is designed to answer the question:

‘Are the Council’s arrangements likely to secure continuous improvement?’
- 6 The conclusion arising from our preliminary Corporate Assessment is that the Council’s approach to improvement is developing well, supported by largely effective arrangements and strong leadership.
- 7 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 is continuing with a fundamental transformation programme, and while it is re-evaluating a key element of that programme, its overall approach shows potential to deliver improvement; and
 - the Council’s arrangements are positively supporting improvement in most ways, but it does not always use ICT and other assets well, and its planning is not yet sufficiently focussed on outcomes.



Areas for Improvement

- 8 As this is our Preliminary Corporate Assessment, there are several areas where only limited work has been possible. We will continue to build on this and monitor progress in coming months to provide an update in our Annual Improvement Report to be issued in November. The Council has already identified areas for improvement and is taking steps that are intended to resolve problems particularly in asset management and ICT. The assessment has identified areas where we propose the Council considers taking action.

Exhibit 1: Areas for improvement

P1 Develop the benefits realisation framework for 'Shaping the Future' to identify whether the Council is achieving intended outcomes.

P2 Develop current performance reporting arrangements to better inform the Council, citizens and communities of the outcome of its activity.

P3 Refine measures in the new Corporate Plan so that they clearly indicate the extent of improvement in services and business processes.

P4 Review ICT Funding arrangements, linking them clearly to medium term financial plans to ensure that investment in technology is delivered in the most cost effective and sustainable way.

P5 Address weaknesses in asset management by implementing recommendations in the Wales Audit Office buildings management report.

Part 1: How the Council has approached improvement over time

The Council is continuing with a fundamental transformation programme, and while it is re-evaluating a key element of that programme, its overall approach shows potential to deliver improvement

- 9** In 2007 the Council recognised that a challenging financial situation, increasing demand and the need to demonstrate clear outcomes for service users meant that it would have to transform the way in which it delivered services.

The Council established a sound understanding of its operations and options for change by means of a fundamental operational review in 2007

- 10** In February 2007 the Council recognised the need to change the way it was working in anticipation of increasing demands and a challenging financial climate. It established an in-house project team supported by external consultants to undertake a Fundamental Operational Review (FOR) in April 2007.

- 11** The FOR collected data about individual service areas to review operations and running costs, reviewed prioritised cross cutting service areas and undertook benchmarking visits. The exercise produced a prioritised opportunities log identifying over 200 opportunities for improvement with associated costs and benefits to the Council.

- 12** In May 2008 the Council published 'Partnerships for Change' seeking the views of elected members, trade unions, local people and other key stakeholders about the themes that were emerging from the FOR and how possible new approaches to service delivery could be taken forward. That month, the Council's consultants also produced a 'High Level Case for Change' a report which explained the rationale for change and options for future service configuration.

- 13** In September 2008, the Council held briefings for all elected members in party groups about the results of the FOR. The Council agreed the need for change considering both the results of the consultation and the high level Case for Change report. By December 2008 the Executive recommended a new model of working and established a Strategic Transformational Change (STC) Programme to deliver change.



The Council has reliable arrangements for managing a complex programme of change which have identified key risks and enabled it to reconsider options

- 14** In January 2009 the Council put STC Programme governance arrangements in place and appointed a Programme Manager. It delegated authority for the day to day management of the STC Programme and elements of decision-making to the Chief Executive in consultation with the Executive Member for Finance and Service Delivery. The STC Programme comprises a range of interrelated projects each of which has a senior responsible officer (from the Corporate Management Board) and a project manager. The Chief Executive is the senior responsible officer for the overall STC Programme. The Council established an STC Forum to facilitate communications between elected members, officers involved in the delivery of the STC Programme, trade unions and staff. Arrangements also involve the Executive in key decisions and the Policy Review and Performance Scrutiny Committee in the analysis of specific emerging proposals and monitoring benefits.
- 15** The Council is clear about the financial pressures it faces and the contribution it expects the STC programme to make to the savings required. The budget for 2010-11 identified a shortfall of some £17.5 million (from existing and new financial pressures). It also identified total potential savings of some £14 million (£10 million to come from service areas and £3.5 million from the STC programme), of which some £12 million would be efficiency savings.

- 16** During 2009 the Council identified first phase projects and appointed project managers. The Council established an STC Reserve Fund to prime projects for change.
- 17** An element of the strategy for change is engagement with strategic partners to support the delivery of key outcomes. The Council has described 'strategic partners' as those who make a long term commitment to delivery of successful outcomes and who share risks with the Council, such partners include other public bodies, the third sector and commercial voluntary partners.
- 18** Engagement of strategic commercial partners is intended to secure expertise that is not available within the Council, transfer knowledge and create efficiencies. In July 2009 three potential partnerships were identified: a corporate technology partner; a corporate land and property partner and a social, economic and environmental infrastructure partner. The intention is to utilise current expenditure levels as a basis for long term contracts. The Council engaged a technology partner in October 2009, for a 15 year period anticipating more efficient use of the £10 million annual spend and securing advice and support for the development of the use of technology.
- 19** Programme managers submit reports to the Corporate Management Board on a monthly basis. In July 2009 the Executive considered emerging significant financial challenges and recognised urgent action was required which gave stimulus to the creation of 'benefit' profiles for existing and future projects within the STC Programme.

20 These arrangements have ensured continuity of the momentum of change despite the retirement of the former Chief Executive and departure of a corporate director in late 2009. They have also identified the need to re-examine arrangements for strategic partnerships in the light of recent experience. Work continues to establish a framework for evaluating whether the intended benefits of change are being realised, in terms of financial savings and improvement of service delivery.

21 On 30 September 2009, the Appointed Auditor issued an unqualified audit opinion on the financial statements for 2008-09, confirming that they presented fairly the financial position and transactions of the Council.

22 On 30 November 2009, the Auditor General and Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council. Key issues for the Council at this time were continuing financial pressures, and the need to ensure corporate expectations were delivered consistently throughout the organisation.

With careful management of key risks and improvement of its ability to demonstrate outcomes, the Council's approach shows potential to deliver improvement

23 At the time of writing the STC Programme has been re-named 'Shaping the Future'. The Council has appointed a new Chief Executive and promoted a Chief Officer to Corporate Director. Changes in responsibilities of Chief Officers introduced in 2009 are beginning to become embedded and changes necessary to ICT systems are being introduced to optimise corporate processes and provide a foundation for the integration of shared services. The Council is also taking steps to improve the management of assets, examining the current use of accommodation and options for the future.

24 Work is in progress to evaluate the impact of change by means of a 'Benefits Realisation Framework' produced in March 2010 designed to identify the financial and service delivery benefits of the new arrangements. Work is also beginning to place a focus on outcomes when reporting performance, although this is at a very early stage. At present, the Council is not able to clearly identify whether it is achieving what it needs to, particularly given the scale of anticipated financial pressure.



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

The Council's arrangements are positively supporting improvement in most ways, but it does not always use ICT and other assets well, and its performance reporting is not yet sufficiently focussed on outcomes

Clear and firm leadership and sound governance, supported by effective financial management is underpinning delivery of the council's strategic intentions

- 25** The political leadership of the Council has been stable for many years and there has been clarity of purpose and a sustained direction of travel. Until late 2009 there had also been stability at Chief Executive and Corporate Management Board level, despite there being changes in the roles of members of the Corporate Management Board. Familiarity of members with operating arrangements and the factors driving change have supported the continuation of the STC programme. Our review of governance arrangements in 2009 recognised strengths in the governance of the Council but also identified a need to embed better governance arrangements across all service areas.
- 26** Scrutiny continues to be well supported and programmes of work are designed to introduce efficiencies and improvement. The Independent Audit Panel is developing its role as a vehicle for challenging the activity of the Council.
- 27** The Council has a good track record of budget management and has, to date, managed its resources and has not exceeded those made available to it. The Medium Term Financial Plan is well developed and embedded into the Council's budgetary control processes and procedures. The Council's track record of responding to major changes in funding levels is good.
- 28** The Council prepared its new corporate plan alongside its budget for 2010 11. In July 2009 the budget strategy required service areas to identify £21 million of potential savings for 2010-11 (7.5 per cent of controllable budgets), to include an element of efficiency savings. In the face of further significant financial pressures the Council also decided in November 2009 that its strategic change programme should be accelerated to help realise a significant level of financial savings in 2010 11, a year earlier than originally scheduled.

The Council's approach to risk management, performance and its people are positively supporting improvement in most ways but the sustainability of the approach to ICT is unclear and there is insufficient focus on outcomes

- 29 The Council has a well embedded approach to Risk Management and its processes identify key corporate risks. Specific officers are responsible for ensuring arrangements are in place to mitigate risk but the effectiveness of the individual arrangements are not always tested. In October 2009 the Council appointed a Strategic Risk Partner to provide specific advice during the period of significant change.
- 30 The Council has well established, systematic performance reporting arrangements but there is a dependence upon tracking action and the review of performance indicators. Outcomes when targets have, or have not, been met are not always clear. For example, the 2008 09 target for the percentage of pupil attendance in primary schools was 93.5 per cent, the outturn was 92.76 per cent and whilst reported as a failure to meet the target, the significance of the difference is unclear. Similarly, the Council had set a target of 90 per cent of highways and relevant land inspected of a high or acceptable standard of cleanliness. The outturn was 86.93 per cent, again the significance of the difference and whether any remedial action was taken, or necessary is unclear.
- 31 The effectiveness of arrangements for evaluating the impact of the new Corporate Plan are limited because the performance indicators are not the most appropriate to demonstrate improvement in delivering services and efficiency in business processes and targets are not sufficiently challenging. The high-level 'outcomes' of the corporate plan, and the various key priorities and strategic statements beneath them, aid presentation of information in the document but do not yet make the document more outcome-focused.
- 32 Officers have identified the need to develop measures that give a clearer understanding of the intended outcomes for service users and other relevant stakeholders. The Council is beginning to promote Results Based Accountability as a method by which services can develop measures that give a clearer picture of whether beneficial outcomes have been achieved. The approach is not yet embedded and further engagement of elected members, Chief Officers and key stakeholders will be necessary if the approach is to be adapted to the Council's needs.
- 33 The Council's human resource arrangements are well aligned with the STC Programme. Staff functions have been identified as 'transactional' or 'specialist' and pathfinder projects are being implemented to identify the implications of new operating arrangements. The Council's People Strategy sets out broad aspirations and intentions to establish workforce planning. The People Strategy is a key document intended to support employees in the delivery of the Council's agenda but it lacks the outcome focused measures necessary to determine whether its implementation is producing beneficial results.



- 34** The People Strategy established in 2007 sets out how the Council intends to reduce its workforce. The strategy provides a structured approach, using a range of different initiatives, including the use of people and resource plans that identify the intended reductions and the timescale for achievement.
- 35** Human Resource policies and statements are being reviewed to reflect the requirements of the STC Programme. Improved sickness absence management arrangements have led to improved attendance, a new capability policy has been introduced and further reviews of grievance and disciplinary policies are planned. One pathfinder project is reviewing the management structure with the aim of simplifying the structure by reducing spans of control and layers of management.
- 36** Progress is being made in job evaluation and the development of single status arrangements. Consultation is planned with staff during the summer of 2010 with the aim of implementing arrangements towards the end of 2010.
- 37** Whilst the Council has clear corporate expectations about the implementation of human resource arrangements, such as workforce planning, staff appraisal and personal development it has found that they are not being consistently implemented at operational level. In common with other performance reporting arrangements there is a limited focus on the outcomes achieved as a consequence of the implementation of policies. For example, whilst the Council is able to identify the extent of corporate learning and development activity undertaken over a specific period, it is less clear whether that activity has had a beneficial impact or resulted in improvement. A three stage evaluation process, has been introduced, the final stage of which is intended to evaluate the impact after course attendance.
- 38** Key strategic partnerships are in place. The Council reviewed partnership activity in 2009 and identified that intended outcomes were not clearly identified and that key issues were not being addressed. The Council is working with its Local Service Board partners to develop neighbourhood working and to use results based accountability to determine whether there have been beneficial outcomes from the partnership's activity.
- 39** The STC Programme identified that the Council needed to exploit technology more effectively to transform the way in which it delivers services in order to achieve efficiencies. This recognition was one of the drivers for establishing a Strategic Technology Partnership. The Council is optimising its use of ICT by working with its strategic partners to review current technology functions and solutions across the Council and identify common capabilities and duplication. The Council has many different solutions in place and these will be standardised. The intended outcome is to establish common, rationalised, integrated ICT infrastructure and systems across the Council.
- 40** The Council's approach to funding future ICT development is linked to 'Shaping the Future' but financial plans and the arrangements to ensure investment in technology is sustainable are unclear. Maintenance and development of the ICT infrastructure is not linked to a technology refresh programme to ensure it remains current and supported. The ICT infrastructure is not included in Medium Term financial plans which could result

in unnecessary support overheads; risks to service delivery and reputational damage. The Council's approach to funding desk top ICT is traditional, through devolved service budgets which may not be the most cost efficient approach and there is no formal corporate desk top replacement programme.

The Council recognises that its approach to buildings asset management is weak

41 In 2009 we undertook a review of asset management and provided a detailed report to the Council which is being used to support the improvement of arrangements. We found that the Council had adopted a Corporate Asset Management Plan which does not have suitably robust principles to enable effective management of property, and there is no framework in place to support it. The Council identified the need to improve corporate arrangements for buildings management during the FOR and has begun to put arrangements in place designed to drive improvement.

