



WALES **AUDIT** OFFICE  
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# Denbighshire County Council

## Report by the Auditor General for Wales

### Preliminary Corporate Assessment – July 2010



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Image courtesy of Denbighshire County Council.

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# **Good leadership is driving change, making Denbighshire County Council well placed to deliver better outcomes despite current weaknesses in some arrangements**

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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 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), the Chartered Institute of Public Finance and 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.’ 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. It is in this context that the Corporate Assessment has been prepared.
- 6 This 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?’
- 7 This report is based on work up to April 2010. 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 the coming months to provide an update in our Annual Improvement Report to be issued in November.



- 8 The conclusion arising from our first Corporate Assessment is that: Good leadership is driving change, making Denbighshire County Council (the Council) well placed to deliver better outcomes despite current weaknesses in some arrangements.
- 9 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 has recovered from a turbulent period and now has clearer objectives and improving arrangements that can lead to improved outcomes; and
  - good leadership is leading change with governance, policy and strategy, partnership working and business processes positively supporting improvement, whilst fully effective arrangements for the best use of staff and resources are not yet in place.

## Special inspection

- 10 Based on the Corporate Assessment, the Auditor General does not intend to carry out a Special Inspection of the Council under section 21 of the Measure.

## Recommendations

- 11 The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure nor recommended that Welsh Ministers should provide assistance to the Council by exercising their power under section 28 of the Measure or give a direction under section 29 of the Measure.

## Areas for improvement

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

### Exhibit 1: Areas for improvement

P1 The Council should further develop and implement its plans to streamline decision making and scrutiny to ensure that roles are clear and time is given to the matters that are considered most important.

P2 The success criteria for achieving the ambition to be a high performing council closer to the community should be more clearly expressed so that levels of progress can be assessed.

P3 The Council leadership should improve the way in which it assesses its value for money and how this is communicated, so that elected members and officers have an improved understanding of the progress made in improving efficiency.

## Part 1: How the Council has approached improvement over time

### **The Council has recovered from a turbulent period and now has clearer objectives and improving arrangements that can lead to improved outcomes**

#### **Before 2008, the Council experienced a turbulent period in which there was ineffective leadership and some services were unsatisfactory**

- 13** The present Council was created in 1996 following the break-up of Clwyd County Council, and much of the focus in its early years was to establish financial stability. By 2004, the Council had improved the financial position but there followed a series of changes in leadership and external regulators' reports which were critical of services.
- 14** Estyn reports in 2005 and 2007 criticised aspects of educational provision and management and found that there were many barriers to improvement. An inspection of children's services by the Care and Social Services Inspectorate Wales in 2006 found that while some children received a good service, overall the Council provided services that were inconsistent and the Council was uncertainly placed to sustain and improve services.
- 15** Relationships within and between elected member groups and officers were strained and the period saw changes in most senior officer positions and in the political leadership of the Council.
- 16** The Auditor General undertook a corporate governance inspection under section 10A of the Local Government Act 1999 and the report, in November 2008, noted that while political leadership had improved, senior officers were not consistently providing the level of direction and corporate discipline needed. Whilst there were signs of gradual improvement in some services, these were said to be inconsistent and the Council's corporate governance arrangements were not likely to ensure delivery of its challenging agenda for improvement.
- 17** The external reports led to the appointment of an Independent Education Recovery Board and also an External Reference Group (following the corporate governance report).



**Since then, more stable political leadership and new management arrangements have set clearer objectives and are creating a culture of ambition and openness to change**

- 18** The 2008 Corporate Governance Inspection had noted that the Leader had high expectations for improvement that were shared by his Cabinet colleagues. Lead councillors have portfolio profiles that make their roles, responsibilities and accountability clear, and the Leader monitors progress. There has continued to be political stability with leadership by a multi-party Cabinet.
- 19** In November 2007, Dr Mohammed Mehmet was appointed as Interim Corporate Director of Lifelong Learning to lead the response to the Estyn inspection. The Council made good progress in the delivery of its post-Estyn action plan and in May 2009, it appointed Dr Mehmet to be Chief Executive. A new corporate director for Lifelong Learning was appointed in March 2009. A recent Estyn re-inspection concluded that the Council is making good progress on its action plan. It also stated that the Council has restructured its leadership team to achieve a good standard of leadership; the Chief Executive has introduced 'a new culture of ambition and aspiration'.
- 20** The Corporate Plan 2009-2012 sets clear priorities and the intention to become a 'High Performing Council Closer to the Community'. The Council has the ambition of performing in the top half of authorities in Wales for all of a group of 23 of the national strategic performance indicators. Four corporate priorities were set out together with objectives and targets for other service areas.

**The Council recognises that it faces major challenges but the improving arrangements give grounds for optimism that it can turn its plans into positive outcomes**

- 21** In January 2010, the Appointed Auditor and Relationship Manager in their Annual Letter reported that 'a good start has been made to improving the running of the Council' and this Corporate Assessment reflects further progress having been made. However, much further work remains to achieve the improvements in arrangements and in outcomes for citizens that the Council is aiming to achieve.
- 22** The Council has been conscious that it faces major challenges to improve services for citizens whilst expecting a difficult financial climate and it has made a number of significant actions that will positively assist improvement. These include:
- the use of member/officer boards to drive top priorities;
  - the appointment of a corporate director to lead modernisation and improvement and giving capacity to focus on the changes required;
  - establishment of a 'transformation' programme with four workstreams to develop radical changes to service delivery arrangements and to secure efficiencies; and
  - a review of governance arrangements to support more effective decision making and scrutiny.

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

### **Good leadership is leading change with governance, policy and strategy, partnership working and business processes positively supporting improvement whilst fully effective arrangements for the best use of staff and resources are not yet in place**

#### **The Council's arrangements show particular strengths in relation to leadership**

- 23** The Council is well led by the Leader, Cabinet and senior officers who provide clear direction for the Council. Support for the direction of the Council is shared across the political parties involved.
- 24** The Leader works effectively to ensure good communications with all political parties and to maintain focus on key issues. The Estyn re-inspection in 2010 noted that the 'Leader works well across all political parties to achieve cross party commitment to secure education as a priority'.
- 25** The Chief Executive has assembled a strong leadership team and, as noted above, has introduced 'a new culture of ambition and aspiration'. We found that the relationships between councillors

and officers are good and managers across the Council recognised and welcomed the positive leadership.

- 26** The Council leadership has been able to provide good community leadership and presence – for example, through extensive engagement with the Local Service Board, meetings with local community forums and taking forward developments with the North Wales Regional Partnership Board.

#### **Governance, policy and strategy, partnership working and business processes are positively supporting improvement whilst all are being further developed**

#### **Governance arrangements are now reasonably effective although further progress is planned**

- 27** Following the Corporate Governance Inspection, an action plan was drawn up by the Council. In June 2009, the Wales Audit Office presented a briefing note to the External Reference Group. This said the action plan addressed the issues in the report but had a number of significant weaknesses including being overly complex and lacking clarity on roles and responsibilities. The Council reacted positively and reviewed the action plan and a new, simplified approach was put in place. A 'Focus Agenda Board' and the Corporate Governance Committee are monitoring progress on the action plan. Recent reports show that good progress is now being made, although some of the changes are still in their early stages.





- 28** Amongst the developments has been the introduction of service self-assessment and processes for service challenge reviews. Whilst the first round of self-assessments lacked the necessary degree of challenge, this will be provided by the service challenge reviews. There have also been revisions to the terms of reference for the Focus Agenda Board and the Corporate Governance Committee and some improvements to the arrangements for scrutiny committees.
- 29** The scrutiny committees have varied but have been generally effective at providing non-partisan, knowledgeable challenge. The Estyn re-inspection found that: 'The Council has made very good progress in improving the quality of scrutiny of lifelong learning. Officers provide good information to members who critically review and scrutinise services effectively.' There are currently four scrutiny committees covering the four 'directorates' of the corporate directors. Consideration is being given to changing these arrangements as emphasis is being shifted from the directorates to more cross-cutting approaches.
- 30** The Council uses member and officer boards to lead work on the top corporate priorities and there are several other member/officer groups. These have provided focus for discussion of key issues but sit outside the constitutional decision making and scrutiny arrangements.
- 31** Currently, Cabinet members act as portfolio holders and lead members for specific areas but exercise very limited decision making.
- 32** To ensure the governance arrangements provide the best support for future improvement, the Council should streamline decision making and

scrutiny to ensure that roles are clear and time is given to the matters that are considered most important.

**The Council is already working through partnerships to achieve improvement and is planning to develop this further**

- 33** The Council has existing close working partnerships with Conwy County Council in a number of areas, including a joint head of service for highways, and shared youth justice service. Agreement has been reached for further joint working in children's services and the integration of the street lighting teams and street works.
- 34** The Leader and Chief Executive have played a significant role in establishing the North Wales Regional Partnership Board (NWRPB) 'vision' and programme for change and the Chief Executive is the sponsoring chief executive of the NWRPB programme board on lifelong learning. The regional planning has the potential to lead to significant improvement through collaboration. The Council is also contributing to existing and planned regional partnership work through the North Wales Social Services Improvement Collaborative (NWSSIC) and the North Wales Regional Waste Treatment Partnership. It is also involved in the North Wales Adoption Service which became operational from 1 April 2010.
- 35** The Council is the host authority for regional joint appointments including the NWSSIC co-ordinator and Regional Local Authority Management Representative (Ambassador) for the six North Wales councils on the Betsi Cadwaladr University Health Board Management Team.

**36** The Council is actively involved with the Assembly Government's Efficiency and Innovation Board and the Chief Executive is Chair of the 'Collaborative Procurement and Commissioning' steering group.

**37** The Denbighshire Local Service Board (LSB) is developing and contributing to improvement. Five Local Delivery Agreements (LDAs) are in place for developments which are closely aligned with the Council priorities:

- Engaging with Denbighshire's Communities
- Reducing Deprivation in West and South West Rhyl
- Providing the right skills for Denbighshire's existing and future workforce
- Making better use of Denbighshire's assets
- Integrating Health and Social Care

**38** The Council is working closely with its partners, although some arrangements have been affected by the recent re-configuration of health bodies.

**39** As part of our further work, we will consider the views of partners, delivery of LDAs and monitor progress of partnership strategies and developments.

### **The policy and strategy framework will positively support improvement**

**40** The Council's Corporate Plan 2009-2012 set clear priorities which are understood and are able to guide the focus of the authority. The Plan states the intention to become a 'High Performing Council Closer to the Community'. It established four 'Improvement Themes' to guide the way the Council moves forward.

The themes are:

- Community and People Focused
- High Performance Culture Delivering Value for Money
- Outward Looking
- Strong Governance and Leadership for Improvement

**41** Four wide ranging corporate priorities were adopted:

- Demographic Change
- Regenerating our Communities
- Modernising Education
- Roads and Flood Defence

**42** For each priority, the Plan says what success will look like and gives a small group of outcome measures. Further objectives and targets were set for each directorate. The Council's objectives link closely to those in the Denbighshire Community Strategy 2005 and the statutory partnership strategies (the Children and Young People's Plan, Health Social Care and Wellbeing Strategy, and Community Safety Strategy).



**43** Each of the four priorities has oversight from a member and officer board. The priorities are generally felt to be clear and understood. However, some members and officers felt the approach to regeneration across the whole county was not yet sufficiently developed to give a wide enough view of regeneration or to match the needs of the different towns.

**44** The recently agreed 'Year 2 Plan', Delivering the Corporate Plan 2010-11, sets out the delivery arrangements for the coming year but also adds the priority of 'improving the Council in a Challenging Climate' and illustrates the implications of delivering the Corporate Plan in each of the six 'community areas' of the county.

**45** The objective to become a 'High Performing Council Closer to the Community' will partly be measured by progress in performing in the top half of authorities for a basket of 23 indicators by 2012. It is not necessarily clear that being in the top half of councils will correspond to being high performing. It may only represent just above average performance. The Council intends to measure whether it is 'closer to the community' by progress on delivering the outcomes of the corporate priorities and by considering the results of a residents' survey held only in alternate years. The Council may be able to refine the way it will measure success against its overall ambition so that it is able to assess levels of progress.

**46** As part of our further work, we shall monitor the development of the new Community Strategy, consider a wider group of policies, and consider whether arrangements for community engagement and communications fully support the delivery of strategies.

### **Business processes generally support improvement but the effectiveness of recent changes is not yet clear**

**47** The Council has set out its objectives and performance targets in a reasonably clear manner and has in place a range of appropriate mechanisms for monitoring and reporting. The Estyn re-inspection reported that the Council has good processes in place to monitor progress and identify areas for development.

**48** The Council has a 'Change Management' process to guide reviews of service areas, especially 'enabling services' which have been identified as needing significant change but there have been weaknesses in the initial application of these arrangements. We have also found mixed success in project management.

**49** Following the appointments of the Corporate Director Governance and Efficiency and the new Head of Planning and Performance, changes are being made to improve business processes. A clearer business planning cycle has been produced, new programme and project management guidance has been developed, and steps have been taken to improve the use of risk management within services. It is not yet clear whether these changes will be effective.

**50** As part of our further work, we will monitor the effectiveness of the changes and also review service plans for 2010-11. We will also consider whether managers get the right information they need to manage and how far business processes are aligned with financial planning and management.

## **Arrangements for making the best use of resources and staff are only partly supporting improvement**

**There are weaknesses in relation to current arrangements for making the best use of staff, although these are recognised and action is being planned**

- 51** The Council has shown an ability to change staffing and management arrangements to become better equipped to secure improvement. It has recently completed a process of management restructuring with a range of new managerial appointments including joint posts.
- 52** The traditional human resources service is facing the need for significant change including changing the relationship with services. A change management review has been completed but not yet fully implemented.
- 53** Some of the building blocks of effective people management are being put in place but this process is incomplete. Some policies have been updated but others are out of date; revised appraisal arrangements are in place but the quality is variable and arrangements for quality assurance are minimal.
- 54** The Council has introduced a leadership/management training programme using an external provider. This has been well received but it is not clear how this will be followed through and how the skills learned will be used in the best way.
- 55** Workforce planning is in place in some service areas but under-developed at a corporate level and the Council therefore still lacks a workforce plan linked to its corporate priorities. This shortcoming is recognised and the

Council is committed to producing a Corporate Workforce Planning Strategy and action plan during 2010-11.

- 56** The Council was slow to implement fully its information system to support people management. However, this system is now beginning to be used appropriately and the Council has been able to make some progress in reducing sickness absence.
- 57** The Chief Executive has undertaken an extensive round of road shows and meetings with staff. These have been appreciated but it is not clear that there is yet a wider strategy for staff engagement.

**Financial management is generally sound but medium-term financial planning is under-developed and the task of modernising the Council asset base is at an early stage**

- 58** The Council has shown sound budgetary management and has an appropriate level of reserves. The Assembly Government funding for 2010-11 was higher than initially anticipated. The budget incorporated £2.2 million of anticipated savings and efficiencies and, with the additional funding, this enabled £500,000 to be added to reserves for implementing Single Status changes and £2.2 million to support 'one-off' expenditure including work in some of the corporate priorities.
- 59** However, the Council expects that future years will be much more difficult and a response to the future financial challenge is beginning. It has established an efficiencies programme with four workstreams which focus on assets, change management and service challenge, collaboration, and general efficiencies. These workstreams are expected to



contribute to savings of approximately £4 million annually until at least 2013-14. This work is at an early stage.

- 60** The Council has invited a WLGA peer review to look at cost-effectiveness during the spring. This review will help to identify where costs are relatively high.
- 61** The Council has had an effective traditional approach to financial management but it will need to become more pro-active in financial planning to achieve its priorities. The Corporate Plan 2009-2012 included some financial information about resourcing the objectives. The need to focus resources on priorities is also referred to in the Medium Term Financial Plan (MTFP) approved by the Cabinet in April 2010 but the MTFP does not identify any revenue allocations against the priorities.
- 62** The Council will also need to consider whether it needs to enhance the way that financial information is provided. We found that elected members were unable to explain whether the Council offers value for money or to highlight areas where it had improved its value for money.
- 63** The task of rationalising and modernising the Council asset base is acknowledged and work to tackle this is beginning. The Council has regularly updated its Asset Management Plan but is unable to reduce the backlog of repairs or fully maintain its asset base of land and buildings. It will consider its assets as one work stream in the efficiencies programme and is also undertaking a mapping exercise with partners under an LSB Local Delivery Agreement.

- 64** As part of our further work, we will consider whether the Council has appropriate plans for the strategic use of ICT to support improvement.