



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Gwynedd Council

Report by the Auditor General for Wales

Preliminary Corporate Assessment – September 2010



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Image courtesy of Gwynedd Council.

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Gwynedd Council's (the Council) leadership is addressing the need for change, but some key building blocks are not yet well enough embedded to assure continuous improvement

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Contents

Summary	4
Part 1: How the Council has approached improvement over time	6
After a period of limited change, the Council has responded well to a range of internal and external stimuli, and is beginning to develop a number of potentially positive initiatives	6
In the past, the Council's consensual but overly cautious approach to modernising service delivery has hindered progress in some important areas	6
More recently, the Council's leadership has responded well to increased political tension, external challenge and the worsening financial climate and is driving positive strategic change	7
Significant initiatives are underway which could, if implemented effectively, deliver continuous improvement throughout the organisation	8
Part 2: Analysis of the Council's arrangements to help it improve	9
Effective leadership and a sound policy framework are promoting change, but aspects of governance, partnership working, business processes and the use of staff and resources are not yet secure enough to ensure that policy becomes practice	9
The Council's political and managerial leadership and its policy and strategy framework are positively supporting improvement	9
Governance, partnership working, business processes and the use of people and resources are partly supporting improvement, and there are positive initiatives to develop each of these areas	9

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 authority 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), Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). In evidence to National Assembly 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 working in collaboration and increasing the commissioning of services rather than their direct provision. 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 The conclusion arising from our first Corporate Assessment is that: The Council’s leadership is addressing the need for change, but some key building blocks are not yet well enough embedded to assure continuous improvement.



8 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:

- after a period of limited change, the Council has responded well to a range of internal and external stimuli, and is beginning to develop a number of potentially positive initiatives; and
- effective leadership and a sound policy framework are promoting change, but aspects of governance, partnership working, business processes and the use of staff and resources are not yet secure enough to ensure that policy becomes practice.

9 As this is a 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.

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 or to recommend 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.

Recommendations and areas for improvement

- 11** The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure.
- 12** The assessment has identified areas for improvement where we suggest that the Council should consider taking action.

Exhibit 1: Areas for Improvement

P1 The Council should:

- establish and maintain a register of reports issued by the Auditor General, the Appointed Auditor and relevant regulators (as defined in the Section 16 of the Local Government Measure); and
- establish a process by which elected members will be made aware of the findings and recommendations contained in any such reports and of the Council's progress in implementing the recommendations.

P2 The Council should define with greater clarity the improvement outcomes it intends to achieve, both singly and with its partners, and improve its use of performance information to monitor progress towards these outcomes.

P3 As part of its own governance review, the Council should review the remit of its scrutiny committees to better reflect the recent changes in the Council's management arrangements.

P4 The Council should identify the level of Human Resources (HR) capacity available to support services in developing their workforce plans.

Part 1: How the Council has approached improvement over time

After a period of limited change, the Council has responded well to a range of internal and external stimuli, and is beginning to develop a number of potentially positive initiatives

In the past, the Council's consensual but overly cautious approach to modernising service delivery has hindered progress in some important areas

- 13** Under the terms of the Local Government Act, 2000, the Council chose to adopt 'the Fourth Option' model of governance. Under this model, the Council delegates most decision-making powers to a Board comprising representatives of all political groups within the Council.
- 14** The decision to adopt this form of governance reflected the consensual nature of politics in Gwynedd over a long period. However, this approach also contributed to an unduly cautious attitude to change, particularly in potentially controversial areas. As a result, the Council did not tackle soon enough some of the issues facing major services such as education and social services.
- 15** Pupils in Gwynedd schools have achieved consistently good results when compared with other authorities. However, until recently, the Council has been slow to take action in response to the increasing levels of surplus capacity in its schools, and the fact that many of its school buildings were no longer suitable for the delivery of a modern curriculum.
- 16** Similarly, social services did not keep up with changing practice elsewhere in Wales and the UK. There was an over-reliance on traditional methods of service delivery and an inconsistency across the county in the quality and availability of services. Weaknesses in performance management played a significant part in preventing the Council from identifying and addressing these weaknesses.
- 17** The Council began to modernise its management and business processes during this period, but with varying success. For example, it changed its management structure in 2003 from a model of discrete services to one in which four corporate directors each led a directorate comprising a range of services. However, under this model, directors devoted a substantial proportion of their time to operational matters, leaving too little strategic capacity at a senior level to drive change consistently in those areas that needed a corporate approach.



18 The Council also has a performance management framework in place, though the quality of its implementation varies across services. The Council has, for a number of years, also used a risk assessment process to identify its corporate priorities. The Council departed from its previous annual corporate planning cycle to produce its first three-year plan covering the period 2008-2011.

More recently, the Council's leadership has responded well to increased political tension, external challenge and the worsening financial climate and is driving positive strategic change

19 In October 2007, following lengthy and widespread consultation, the Council published an ambitious plan for the reorganisation of its primary schools. However, the plan failed to command enough public and political support and led directly to significant political changes following the elections in May 2008. Thirteen members of a new political group, Llais Gwynedd, formed to oppose school closures, were elected to the Council. While Plaid Cymru remained the largest political group, it no longer had an overall majority in the Council chamber.

20 This change introduced more tension into the political climate. Though this tension presented new challenges, the Council's political and managerial leaders have responded well. Well-considered engagement across political divisions has enabled the Council to secure a broad ownership of difficult decisions. In particular, the Council has agreed:

- the first stages of its school modernisation programme in the Tywyn area; and

- a strategy to deliver £16 million of savings over the next three years in response to the worsening financial climate.

21 In addition, improved project management has led to further progress in areas in which decisions had been taken before the May 2008 elections. For example, the Council:

- is addressing systematically the issues raised in a highly critical Joint Review of its social services, reported in 2008; and
- has successfully transferred its housing stock to Cartrefi Cymunedol Gwynedd, a not-for-profit housing organisation, in order to accelerate progress towards meeting the Welsh Quality Housing Standard.

22 On 12 November 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that they had been prepared in accordance with statutory requirements and that they presented fairly the financial position and transactions of the Council.

23 In December 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council. The main points at this time were that there was a general picture of progress in the Council's services and corporate arrangements and an active approach to addressing financial risks to the sustainability of that progress. However, the Letter reported continuing weaknesses in the reporting of service performance to councillors and the public, despite some improvements.

Significant initiatives are underway which could, if implemented effectively, deliver continuous improvement throughout the organisation

- 24** The Council has taken a number of steps to further improve its prospects of delivering continuous improvement.
- 25** The most significant of these is the fundamental change in the roles and responsibilities of corporate directors and a reduction in their number from four to three. These senior officers are no longer responsible for a range of services. Instead, they and the Chief Executive form a corporate leadership team, each of whom leads one or more of the six newly created programme boards. This change has increased the Council's strategic capacity at the most senior level while, at the same time, increasing the accountability of heads of service for the delivery of the Council's day-to-day business.
- 26** The creation of the new programme boards forms part of the introduction of programme management, a tool to help the Council to deliver its corporate priorities, and to ensure that the linkages between individual projects are identified and exploited more effectively than in the past. Programme management is at an early stage of development, but the Council has invested significantly in planning for its introduction.
- 27** At a political level, the Council has developed and begun to implement a new scrutiny strategy. This work has drawn on good joint working between the Council and the Wales Audit Office, including discussions about how to improve the reporting of service performance to scrutiny committees. As a result of the new strategy, committee members prepare for meetings well in advance, thereby sharpening the quality of the papers provided to them and the questioning at committee. The Council also plans to review its own governance arrangements in the near future.



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

Effective leadership and a sound policy framework are promoting change, but aspects of governance, partnership working, business processes and the use of staff and resources are not yet secure enough to ensure that policy becomes practice

The Council's political and managerial leadership and its policy and strategy framework are positively supporting improvement

28 The Chief Executive and Leader work well together in seeking to streamline the workings of the Council in pursuit of its priorities. Together, they have found ways of engaging effectively with members across political boundaries to begin to tackle difficult issues such as the Council's response to the economic climate. They have also been proactive in introducing constitutional changes in order to reduce the negative impact of increased political tension on the progress of Council business.

29 The significant changes in the Council's senior management structure and its developing new approach to the delivery of its priorities also reflect leadership that is proactive in seeking improvement and which is increasingly willing to learn from others.

30 The Council's policy and strategy framework is mostly in place and subject to periodic review. The Community Strategy is a key document that appropriately influences the Council's priorities. A full Unitary Development Plan is in place to guide the Council's decision-making in response to planning applications, and work is in hand to produce a Local Development Plan.

31 The developing programme management arrangements have the potential to bring greater clarity of direction to the Council's work in areas such as regeneration, and to ensure that strategy is more influential than in the past in drawing together a range of services in order to deliver benefits. Effective programme management will be equally important in the delivery of the Council's savings strategy, where the co-ordination of the agreed strands is essential in maximising the savings while minimising the adverse impact on citizens and staff.

Governance, partnership working, business processes and the use of people and resources are partly supporting improvement, and there are positive initiatives to develop each of these areas

32 Most aspects of the Council's governance function well, and it plans to review its own governance arrangements in the near future. Changes at national level are likely to require the Council to move away from its current 'Fourth Option' model.

- 33** The Council continues to refine its scrutiny arrangements following the review of its scrutiny strategy. The revised arrangements enable committee members to focus more clearly on issues that are relevant to corporate priorities. Much of committees' work focuses on developing policy and advising the Board. This work is valuable in terms of building consensus and ownership. However, committee work programmes remain too heavy and do not provide an effective forum for the rigorous scrutiny of the Council's performance.
- 34** The Council's Audit Committee routinely considers financial reports issued by the Wales Audit Office, as well as reports prepared by Internal Audit. However, there is no formal process of recording the findings and recommendations of non financial reports issued by external auditors and inspectors, and deciding whether an appropriate forum of elected members should consider them. We have recommended that the Council should introduce arrangements to rectify this matter.
- 35** The three-year corporate plan for 2008-2011, which is refined annually, sets out the Council's priorities. A well-established and generally effective system of service-based risk assessment informs the contents of the plan, but it also reflects the Community Strategy which, in turn, has been informed by public consultation and engagement. The Council acknowledges that it needs to increase the extent and sophistication of its engagement with the public.
- 36** The corporate plan has the potential to be the cornerstone of the Council's business planning framework and its performance management arrangements. However, the lack of clearly-defined outcomes within the plan undermines this potential. The Council has begun to explore the greater use of outcome-focused planning as part of its social services recovery process. If successfully implemented, the emerging programme management arrangements will further develop the clarity with which the intended benefits of the Council's actions are defined. This will, in turn, better enable the Council to monitor its progress and to evaluate the impact of its work.
- 37** The limited reliability of aspects of performance and management information, particularly within social services, has been a significant barrier to the effective monitoring of service quality and the design of future service delivery in recent years. The Appointed Auditor recommended in the 2006-07 Annual Letter that the Council should review its arrangements for collecting, calculating and reporting performance information. There have been improvements since then, but the effective use of performance and management information systems as tools to drive service improvement remains an area for development. Though it was not used in the collation of the 2009-10 performance indicators, the introduction of Ffynnon performance management software offers further potential improvement in future.
- 38** The performance management of individual staff, though potentially comprehensive, is based on an appraisal process that is not implemented consistently across all services. Managers tend to rely too heavily on the HR service for support in dealing with managing people. Partly in consequence, the HR service has limited capacity to support services in organisational development. The Council is procuring an electronic HR system, which should provide managers with better information than before to support



aspects of staff management. Workforce development is a relatively new initiative within the Council.

- 39** There are nevertheless a number of positive features about the Council's use of staff. In particular, the Council has developed a well-considered programme of accredited training and development for its managers. This programme is being extended to include more managers, in keeping with their increased levels of accountability and the need to increase the strategic capacity of senior management. The Council has been proactive in ensuring the supply of suitably qualified bilingual staff to key posts by, for example, working in partnership with Bangor University. The Council has made very good progress in completing the review of its pay and grading structures in order to comply with equal pay legislation.
- 40** Robust budget management and sound financial stewardship underpin the Council's use of financial resources. The Council has a history of maintaining prudent levels of financial reserves.
- 41** The Council was among the first in Wales to plan in detail its response to the anticipated reduction in revenue support grant. Members have agreed a range of measures comprising service cuts, efficiency savings and increased income targets to deliver the first stages of a £16 million budget reduction strategy over three years. In the past, we have concluded that the Council had not distinguished clearly enough between efficiency savings and cuts to services, and that it had not monitored adequately whether the anticipated savings had been achieved. However, the measures agreed for implementation in 2010-11 have been subject to careful scrutiny by cross-party workshops of elected members, and their implications fully considered. They have deferred further proposals pending more detailed planning, while others have been rejected at this stage.
- 42** The commissioning of services as an alternative to direct provision is an aspect that the Council has been slow to explore. This work now forms an important strand of the social services improvement programme. We have yet to evaluate the Council's wider work on the procurement of goods and services but a recent initiative to introduce e-procurement for schools has achieved UK-wide recognition.
- 43** The Council shows no reluctance to work in partnership with others in the public and third sectors. There are longstanding examples of the joint delivery of key education services with Isle of Anglesey County Council, while more recently the Council has worked with four other local authorities in North Wales towards the joint procurement of a waste management solution. The Council contributes well to the Local Service Board (LSB), whose priorities are well aligned with those of the Community Strategy. There has been good progress in relation to the LSB's two main priorities, reducing the carbon footprint and the remodelling of community health and care services for adults with chronic conditions and their carers.
- 44** The LSB plays only a limited role in the co-ordination of partnership working in which the Council is involved. The Council has yet to develop a framework that enables it to assess the cost-effectiveness of its partnership working. About 20 per cent of the financial savings already agreed emanate from further partnership working; it will be important that the Council evaluates the extent to which these proposals and future initiatives realise the intended savings and their impact on service quality.