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



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Image courtesy of Merthyr Tydfil County Borough Council.

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In the new financial climate, Merthyr Tydfil County Borough Council's momentum of improvement will be increasingly difficult to sustain unless its programme of change initiatives is delivered in alignment with clear strategic priorities, a clear medium-term financial strategy and effective people management 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 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 WLGA, CIPFA and SOLACE. In evidence to National Assembly for Wales 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 Merthyr Tydfil County Borough Council’s (the Council) arrangements likely to secure continuous improvement?’
- 7 The conclusion arising from our first Corporate Assessment is that: in the new financial climate, the Council’s momentum of improvement will be increasingly difficult to sustain unless its programme of change initiatives is delivered in alignment with clear strategic priorities, a clear medium-term financial strategy and effective people management arrangements.



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:

- the Council's style of corporate development has served it well but a clearer connection with its strategic agenda is necessary if its corporate arrangements are to support continued improvement in the challenging times ahead; and
- many aspects of the Council's arrangements are effective but they are not shaped to support a clear strategic agenda and people management arrangements are underdeveloped.

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 preliminary assessment and monitor progress in coming months to provide an update in our Annual Improvement Report to be issued in November 2010.

Special inspections

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.

Areas for improvement

11 The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure but areas for improvement are suggested below.

Exhibit 1: Areas for improvement

P1 As a matter of some urgency, develop clear priorities and improvement objectives that contribute to the new Community Strategy and achieving the Council's vision.

P2 Prepare and publish a new Corporate Improvement Plan which:

- reflects public and stakeholder engagement in priority setting;
- sets out the Council's improvement objectives together with outcome measures that demonstrate how and to what extent the Council is making a difference to the lives of Merthyr Tydfil citizens; and
- demonstrates community leadership to manage citizens' expectations in the context of reductions in public expenditure.

P3 Develop a strategic framework to support delivery of the Council's priorities and improvement objectives, including strategies for medium-term financial planning, workforce planning, and asset management.

P4 Streamline and strengthen performance management arrangements, ensuring that service planning is clearly aligned to corporate priorities, undertaken consistently and that strategic monitoring of performance is robust and challenging.

P5 In implementing its plans to improve scrutiny, the Council should put arrangements in place to ensure that roles and responsibilities are clear and time is given to the matters that are considered most important.

Part 1: How the Council has approached improvement over time

The Council's style of corporate development has served it well but a clearer connection with its strategic agenda is necessary if its corporate arrangements are to support continued improvement in the challenging times ahead

The Council has achieved considerable improvement from a relatively low base since 2003

- 12** In January 2003, the Audit Commission in Wales (ACiW) produced an interim report on the Council's corporate capacity to improve. The report highlighted significant concerns about the Council's corporate management arrangements and capacity. It was clear that the Council would have to transform itself if it were to secure continuous improvement.
- 13** In April 2004, the ACiW reported that the Council had developed an ambition to address the weaknesses identified in the interim report and to transform itself into a modern and effective local authority.
- 14** The Council began its improvement journey by producing a three-year Transformational Plan which contained detailed actions for transforming the Council through restructuring its management arrangements and developing its corporate arrangements. The overall focus was to embed a culture of continuous improvement which would deliver better services to its customers.
- 15** Considerable improvement continued to be made over subsequent years as the actions in the Transformational Plan were implemented, resulting in corporate arrangements including Quarterly Business Reviews (QBRs), risk management and performance management arrangements being developed and rolled out across the Council. The Council of today is unrecognisable in many respects from the one in 2003.
- Current arrangements have developed to improve their effectiveness but they have insufficient links to a strategic improvement agenda**
- 16** Whilst there has been considerable improvement, the leadership of the Council recognises that there is still much to be done to strengthen its corporate arrangements. It also recognises the importance of ensuring that arrangements enable the Council to continue to improve in the changed economic environment.



17 In November 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council identifying the key issues for the Council at this time as follows:

- the Council had appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2008-09;
- reviews of a number of the Council's services revealed a mixed picture of good progress and areas for further improvement;
- reviews showed that while there are sound corporate arrangements, there was still much to do to prepare for significant future challenges;
- risk assessment had improved and highlighted an increased number of challenges to be managed;
- the Council was found to be making progress in embedding the principles of good governance but some areas for development remained;
- links between the key elements of performance management were in place but scope remained to simplify the current system;
- the first asset management plan of the Council was a major step forward, however, a more strategic approach was required; and
- the Council's approach to the effective governance of its information was better developed in relation to its electronic information, but less robust for manual information.

18 Our review, undertaken in 2009, concluded that whilst key elements of effective performance management are now in place, the Council's complex performance management framework does not effectively make the link between service plans and corporate priorities. The quality of service planning shows wide variation across the Council and therefore does not effectively support delivery of the Council's priorities. The overall monitoring of progress against key strategic plans is not clear, robust or consistent enough.

19 The Council needs to focus on its key priorities and ensure that the performance management framework is fit for purpose to support their achievement.

The Council is unlikely to sustain continued improvement unless it takes the opportunity afforded by recent internal changes to clarify its priorities and better align its financial and improvement planning

20 Having achieved significant improvement over a number of years, the Council has had cause to review many of its arrangements, particularly in light of the financial challenges facing all public bodies in the current economic climate.

21 The Council is responding by undertaking a number of ambitious initiatives and programmes which represent a significant change agenda. It has recently implemented a management restructure, reducing the number of its directorates from five to three, and changed its political arrangements to the Leader and Cabinet model. It has developed and is implementing new corporate arrangements for managing key

projects and for appraising its staff. Other key programmes in the course of implementation include the:

- Efficiency and Improvement Programme
- Estates Transformation Programme
- Customer First Action Plan

22 The Council has modelled the potential effect of reduced levels of core Assembly Government funding over the medium term and has set challenging efficiency savings targets for all services. However, the three-year indicative financial plan needs to be linked with other key strategic documents such as the developing Corporate Plan and with the strategic aims and objectives of the Council. One cannot operate in isolation of the other and a key challenge for the Council will be to ensure that its developing medium-term financial plan reflects effective and balanced representation of other strategies.

23 If the Council is to secure improved services to its citizens through implementing these new arrangements, they will need to be closely aligned to the achievement of clear priorities which are universally owned by all staff in the Council. The senior management and leadership of the organisation must provide clear direction and there must be clear lines of accountability to ensure that they are delivered as planned.



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

Many aspects of the Council's arrangements are effective but they are not shaped to support a clear strategic agenda and people management arrangements are underdeveloped

The Council has sound arrangements to identify risks, underpinned by effective operational resource management, proper governance and a positive approach to partnerships

- 24** The Council has developed sound risk management arrangements and continues to deepen and strengthen them throughout the organisation. For example, the Council has ensured that its efficiency programme has been subject to a risk assessment. The Council's corporate risk assessment processes are inclusive and in addition to service manager input, include opportunities for member and board involvement with internal challenge being provided by the Risk Management Team. Consequently, risk assessment is thorough and robust, and provides a baseline against which progress is monitored.
- 25** The Council is proactive in improving its governance processes. The Council produced an Annual Governance Statement for the first time in 2008-09 ahead of the formal requirement to do so.
- 26** The Council has moved to a Cabinet and Leader model. Whilst this change has been led by the Leader, it has the support of the opposition. The Council expects that the new arrangements will improve the speed of decision making and the effectiveness of scrutiny.
- 27** The Council has reduced appropriately the number of its scrutiny committees to reflect its directorate restructure but recognises that this change needs to be supported by additional member training and support to improve scrutiny performance and ensure that task and finish groups will be effective. To a certain degree, QBRs have been performing the role of scrutiny committees but the effectiveness of the QBRs has varied because of some poor attendance and inconsistency of some of the information reported at them. The Council recognises that it needs to review the use and function of QBRs.
- 28** There is political and corporate commitment to the development of the new Community Strategy and agreement that it has a fundamental role in shaping the direction of the Council and its approach to performance management. There has been greater buy-in and engagement of directorates in the development of the new Community Strategy than was the case with the previous strategy.

29 The Council is increasing its focus on citizen engagement with the establishment of a Customer First Board but has not yet fully implemented a corporate approach. A wide range of consultation and engagement has been undertaken to inform the development of the new Community Strategy. A multi-agency approach to consultation is being explored under the Local Service Board (LSB) agenda.

30 The LSB is now clearer about its role and has matured over the past 12 months. The LSB is continuing to work more effectively but it is recognised that success is dependent on the clarity of its role and objectives and the level of support that it receives. The board is considering setting up a joint LSB support team with Rhondda Cynon Taf Council (RCT). This will be a positive step forward to provide additional capacity to ensure that the LSB drives the delivery of the new Community Strategy.

31 There are a number of good examples of partnership working, including the Children and Young People's Partnership and the Community Safety Partnership. Estyn reported in October 2009 that links between strategic/statutory partnerships, such as the Health Social Care and Wellbeing Partnership, Children and Young People's Partnership and the Community Safety Partnership, are effective and that the Council has effective joint working and shared services with other local authorities to address common education issues. These include school improvement services, elected member training, educational support for looked-after children and the education and child psychology service. The Council has a long history of working with the voluntary sector within the borough.

32 The Council is keen to ensure that all of its partnerships are operating as effectively as possible and recognises that there may be overlap and duplication between partnerships which are considered to be resource-intensive. A joint review of partnerships with RCT is being undertaken.

While the Council explores options to secure value for money, the evidence available to support the strategic management of its resources should be stronger

33 The Council has a track record of exploring alternative options to secure value for money, such as outsourcing and joint working, and the Council has successfully attracted funding for major regeneration projects.

34 Members have been briefed on the difficult financial climate the Council expects to face and need to recognise that many difficult decisions lie ahead. There has been mixed success in taking difficult decisions in the past which in part has arisen out of insufficient public consultation, for example the Council's home to school transport policy. However, the recent approval of the Council's Homes for Life Strategy, and the Merthyr Learning Quarter development, represent significant transformational decisions taken following extensive consultation.

35 The Executive Board has discussed the need to review corporate priorities to take account of the current financial situation. Challenging nine per cent cash efficiency targets have been set for each of the next three years and have been allocated to each of the Council's services. This initial blanket approach has been taken to identify potential savings and further work is



required by the Council to better prioritise the realignment of resources in a more strategic way.

- 36** The focus of the Council was initially on securing short-term efficiencies which were built into the 2010-11 budget. More recently, the Council has established an Efficiency and Improvement Board, with membership having been revised to ensure greater connection between efficiency and improvement. However, the Council does not have a medium-term financial strategy which sets out how the resources of the Council will be aligned to achieve its priorities.
- 37** Many of the potential medium and longer-term efficiencies identified by the Council are based on large transformational projects such as, for example, accommodation rationalisation, electronic document management and the Homes for Life strategy. The latter is an example of a transformational project being implemented by the Council which provides efficiencies and is clearly in line with its priorities.
- 38** The Council is putting a new project management methodology in place and rolling out training. It intends to manage efficiencies using this new approach. Work is underway to identify all key projects and then ensure each has a project plan in place. This is important because key projects were previously not being consistently monitored by the Executive Board.
- 39** There is considerable scope to strengthen the strategic monitoring of performance within the Council, particularly at the scrutiny level. It is important that the Council streamlines its performance management system to clarify the roles of different mechanisms of scrutiny and maximise the benefits that key tools, such as Ffynnon,

can bring to performance management. The Council has established some systems for monitoring the delivery of action plans. However, there is no corporate approach to ensure all plans are effectively managed and regulators' recommendations are addressed. Our earlier review of follow-up arrangements, undertaken in 2009, found that progress was patchy with some recommendations not addressed.

- 40** The Council recognises these issues and the creation and resourcing of the new performance management and partnerships unit will be important in ensuring that improvements are embedded quickly into the culture of the Council.

The Council is reviewing its strategic priorities in light of the challenges it faces but has yet to develop the detail of its improvement objectives and business planning arrangements

- 41** The Council developed a Corporate Plan at the end of 2008, which sets out nine corporate priorities linked to the 2004 Community Strategy. However, this planning was undertaken just before the global recession and the Council has now commenced further work to determine whether the priorities set out in this plan are still achievable given current and future financial pressures.
- 42** A new Community Strategy is in the process of being approved by the Council and its partners. The Council then intends to update the Corporate Plan and develop improvement priorities. Although this approach is rational, it has meant that to date the Council has made little progress in developing improvement objectives – as required by the Measure.

43 As a matter of some urgency, the Council needs to prepare and publish a new Corporate Improvement Plan which reflects public and stakeholder engagement in priority setting and sets out the Council's improvement objectives together with outcome measures that demonstrate how and to what extent the Council is making a difference to the lives of Merthyr Tydfil citizens.

44 The Performance and Risk Management Team has been established and tasked with developing proposals for a simplified performance management framework. The aim of this work is to design improved business planning, monitoring and reporting arrangements which integrate existing risk management arrangements.

45 The recent changes to political management arrangements and the corporate restructuring provide the Council with the opportunity to review specific roles and responsibilities and to clarify its delegation arrangements. The reduction in the number of corporate directors should enable the Executive Board to work more closely as a Corporate Management Team focusing on the corporate agenda of the Council. The recent focus by the Executive Board on the Efficiency programme as a standing item is an example of this happening in practice.

People management remains underdeveloped and is not helping the Council deliver improvement

46 The Council has rightly assessed single status and equal pay issues to be high risk and, accordingly, these issues have been the primary focus of the Human Resources (HR) service for some considerable time. However, given the complexity of these

issues and limited HR service capacity, this has resulted in there being less focus on other strategic aspects of HR. This is illustrated by the fact that the Council currently lacks an up-to-date HR strategy.

47 Council leadership is keen to embark on a collaborative approach in relation to HR services. The Council has recently agreed a number of shared service initiatives with RCT including a joint procurement exercise for Occupational Health services, and their provision of corporate training resources to the Council. Consideration is also being given to the option of RCT providing the Council with payroll and HR IT systems and services.

48 The Council's corporate workforce development plan has not been refreshed for a number of years and is currently not being used. A draft social care workforce plan is in the early stages of development. Informal conversations are being undertaken about succession planning within directorates but a corporate approach is yet to be developed. A robust workforce strategy is needed if the Council is to plan effectively to achieve efficiencies and meet its improvement objectives. The Council is working with IDeA to organise a People Management peer review, which it intends to use as a basis from which to develop a workforce strategy. This is planned to take place in November 2010.

49 The Council is currently operating a system of vacancy management. Exceptional recruitment requests are considered by the Executive Board. The Council has a redeployment list and people on this list are considered first where agreement is given to fill a post. All roles within the Council have



been rated to determine the level of transferable skills for each one. A redundancy and redeployment policy is in place. A project looking at the integration of administrative staff is also underway, seeking to ensure redeployment wherever possible.

50 The Council has recently reinvigorated its staff appraisal system (PPDP) but it has taken a long time to do so. The new system was rolled out last year. There is a risk that this process is seen by many as a compliance exercise and it is acknowledged that further work is needed to refine the process to allow greater flexibility. The Council is looking to undertake some quality assurance of the process this year. There is also a need to provide soft-skills training to complement the process especially to enable managers to fulfil their responsibility to manage their staff, and the need to reinforce the accountabilities of everyone involved in the system. The Council is looking to address this training need through the arrangement with RCT for corporate training outlined above.

51 A Continuous Improvement Programme was developed a number of years ago with CIP teams in each directorate. These teams are no longer in place across the whole authority with only some services still using them. The value of the CIP has been varied and there has been limited communication about its success or otherwise. It has been suggested that it did not work for larger, corporate ideas but did have some value in service-specific issues. Overall though, the general perception of heads of service is that there is a culture of improvement and that staff are encouraged to use their initiative.

