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# Neath Port Talbot County Borough Council

## Report by the Auditor General for Wales Preliminary Corporate Assessment – July 2010



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Image courtesy of Neath Port Talbot County Borough Council.

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**The Council's arrangements are improving and its ambitious improvement agenda is supported by strong leadership, effective planning and sound financial management but weaknesses in some corporate arrangements threaten its progress**

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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 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 the Council’s arrangements likely to secure continuous improvement?’
- 7 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.



- 8** The conclusion arising from our first Corporate Assessment is that Neath Port Talbot County Borough Council's (the Council) arrangements are improving and its ambitious improvement agenda is supported by strong leadership, effective planning and sound financial management but weaknesses in some corporate arrangements threaten its progress.
- 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:
- building on a platform of sound delivery, the Council is now forging ahead with prioritised change which, if carefully managed, has the potential to support its improvement; and
  - the Council has particular strengths in leadership, effective planning and sound financial management but weaknesses in scrutiny, the corporate approach to ICT and some aspects of people management and partnership working threaten its progress.

## Special inspection

- 10** As a result of this 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 does not 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. The Auditor General has not identified recommendations for improvement for the Council under section 19 of the Measure. for improvement are suggested below.

## Areas for improvement

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

### Exhibit 1: Areas for Improvement

P1 Introduce a system of staff performance appraisal, beginning with senior managers, to increase accountability, strengthen performance management and act as a catalyst for cultural change.

P2 Adopt a more comprehensive approach to sharing learning from the Transformation Programme that would enable more services to be aware of the outcomes and help to embed cultural change within the Council.

P3 Develop performance measures to support the migration to a systems thinking approach and enable benefits from this approach to be identified.

P4 Identify emerging capacity issues and develop an approach to staff development and redeployment that will help to ease potential problems.

P5 Rationalise partnership working to ensure it is focused on outcomes and supported by robust challenge and scrutiny.

P6 Develop an ICT strategy and address the slow progress in undertaking a systems review of ICT.

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

**Building on a platform of sound delivery, the Council is now moving forward with prioritised change which, if carefully managed, has the potential to support its improvement**

- 13** The Council has a track record of delivering sound services but was in danger of not moving forward quickly enough because of delays in making some key decisions. More recently the Council has made progress in taking some important decisions, for example on housing stock transfer and schools modernisation, which will support the Council's Transformation Change Programme.
- 14** However, the Council now faces its biggest challenge which is to carefully manage the implementation of change to ensure that anticipated improvements are realised. The scale of this challenge cannot be underestimated. It will come at a time when the Council will be faced with severe spending cuts and the need to make tough and timely decisions on the use of resources.

**The Council had stable traditional arrangements that delivered sound services but needed to change to meet emerging challenges**

- 15** The Council had a history of stable management based around long serving senior officers and a single party cabinet model of governance. These arrangements delivered sound and sometimes excellent services as exemplified by the findings from a Joint review of Social Services in July 2008.
- 16** The need to make savings has been recognised since 2007 but the Council has, in the past, been slow to make some important decisions. These decisions were necessary to translate the recognition of the need for savings into action to secure the savings.
- 17** On 29 September 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that they were prepared in accordance with statutory requirements and presented fairly the financial position and transactions of the Council. However, the Appointed Auditor noted that the arrangements for quality assuring the statement of accounts needed to improve.
- 18** In the most recent Annual Letter issued in November 2009 the Appointed Auditor recognised that the Council had appropriate arrangements to administer and report financial matters, and to secure economy, efficiency and effectiveness in its use of resources, with a good record of achieving its revenue budget. However, the Council is facing a number of significant





challenges which will require careful management over the next few years if its 'vision for transformation' to deliver different ways of meeting the needs of local people within available resources is to be achieved. We concluded that the Council has an ambitious change programme but must act now and show strong leadership across the Council to accelerate the pace of change as there are signs that delaying key decisions any longer could prevent it from delivering the outcomes and efficiencies it needs.

- 19 Our Annual Letters issued to the Council from 2006 to 2009 contained some recurring themes, most notably the need to accelerate the pace of change and further develop and embed performance management.

### **The Council recognises the need for change, is making important decisions and implementing a coherent and comprehensive change programme**

- 20 The Council recognises that it needs to change into a more efficient organisation, delivering targeted cost effective services to meet the needs of local citizens. To facilitate this change the Council established the Transformation Change Programme. This Programme comprises prioritised tiers of projects linked to the overarching business goals and identifies tangible service improvements and financial savings.
- 21 That the Council recognises the need to accelerate the pace of change is reflected in a number of significant decisions it has taken recently. These decisions around housing stock transfer, transforming older people's services, schools modernisation and developing a workforce strategy are helping to take the Transformation Programme forward.

- 22 The Council is adopting a more open approach to new ideas and recognising the value of investing to save. Symptomatic of this approach is the Council's willingness to explore systems thinking. This involves studying what matters to the local people and then challenging the associated business processes to identify potential efficiencies and savings. Widespread adoption of this approach requires cultural change which the Council has not yet achieved. Currently some officers are totally committed to this new way of working while others remain sceptical and resistant to change.

### **The scale of future challenges, in the context of public sector spending cuts, means the Council's ambitious plans will need to be carefully managed if they are to deliver projected savings and improvements**

- 23 The volume of savings required over next few years will be far greater than at any time in the Council's history. This level of savings will inevitably lead to difficult decisions ahead on what services to deliver and how to deliver them while at the same time making the necessary savings.
- 24 This context may put a question mark over the sustainability of an ambitious change programme. As more services are involved in systems reviews, capacity among managers is likely to become a problem. These capacity difficulties have the potential to affect the sustainability and pace of the change programme and ultimately the modernisation of services.

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

**The Council has particular strengths in leadership, effective planning and sound financial management but weaknesses in scrutiny, the corporate approach to ICT and some aspects of people management and partnership working threaten its progress**

**The Council enjoys strong leadership and generally sound citizen engagement and governance but scrutiny needs further development**

- 25** The Council has strong, stable political leadership based around a single party administration with a comfortable working majority. This political leadership combined with forceful senior management has resulted in a number of important decisions being made recently. These decisions provide a platform for future improvement.
- 26** The Council has a good approach to citizen engagement using several methods to gain an insight. The citizen panel is well established and the Council canvases its opinion at least three times a year. The Council links with voluntary sector forums for older people and disability groups in order

understand and elicit opinion. The Council also has access to information from consultations undertaken by partners such as the police.

- 27** Local Service Board members developed 'Talking Neath Port Talbot' a partnership web site aimed at public engagement and consultation. The consultation process includes providing feedback to those who contribute and publicising the results of the consultation process. The Council also has its own 'have your say' section of its web site for public consultation.
- 28** There are good working relationships between members and officers and no conduct issues that require referral to the Ombudsman. Scrutiny committees are chaired by administration members and Scrutiny Committee meetings are held on the mornings of the same day as cabinet meetings scheduled for the afternoon. This model is open to criticism because of the lack of time for in-depth scrutiny and effective challenge.
- 29** The Council is undertaking a review of scrutiny arrangements, together with Cardiff City Council, following receipt of a grant from the Assembly Government. Officers expect to report on this review in later this summer.





**Clear objectives are underpinned by coherent, comprehensive delivery plans, robust project management and generally effective resource and risk management**

**30** The Council, in partnership with the Local Service Board, has an established Community Strategy. This together with national initiatives and local political inputs supports the Council's Corporate Plan 'Doing what Matters'. The Corporate Plan includes the Council's Improvement Objectives.

**31** The main vehicle for delivering improvement is the Transformation Change Programme. This Programme comprises prioritised tiers of projects linked to the overarching business goals and identifies tangible service improvement areas and financial savings. Key high-priority projects include:

- Housing Stock Transfer;
- Transforming Older People Services;
- Strategic School Improvement;
- Modernisation of the Council;
- Job Evaluation;
- Regeneration; and
- Transforming Children's Services.

**32** The Council manages the change programme effectively, but has yet to overcome all the challenges such as the need to sustain the programme and embed change in the culture of the organisation. The full realisation of expected benefits is based on the continued delivery of quality project outputs. The Council is training and supporting staff as well as sharing

learning points and good practice from programmes in a prioritised way. Having a more comprehensive approach to sharing learning would enable more services to be aware of the outcomes and contribute to the change needed to the culture of the organisation.

**33** The Council's project management arrangements are sound, particularly those for the tier one priority projects included within the transformational change programme. These arrangements include:

- an established overarching programme board with senior representation from across the Council;
- trained and experienced project managers with central support; and
- inclusive project teams drawing knowledge from around the Council as required.

**34** The Council has looked at buildings asset management within the context of each of the tier one transformation projects and this information forms part of the decision making process.

**35** Officers support the political decision making processes with a raft of valid data, which is made available to all members. Officers also hold information seminars, which further support the written information with the opportunity for question and answer sessions.

**36** The Council is one of the few Welsh authorities to have agreed its single status and job evaluation schemes with staff and completed the transition to revised pay points. The Council adopted a robust process for the job evaluation/single status exercise to ensure that all staff were assimilated

onto the correct grades. The cost implications of the exercise have been identified and reflected in budget planning.

- 37** The Council has a good record of achieving its revenue budget as evidenced by an underspend of some £688,000 reported in 2008-09, and the healthy level of reserves (£55.5 million at 31 March 2009). While the Council's significant financial systems have appropriate controls in place, there are a number of issues raised in last year's Annual Letter that have still to be addressed.
- 38** Effective internal controls are another means by which the Council ensures it has effective resource management arrangements in place. One of the key elements of these controls is Internal Audit. Our review of internal audit found that it had met required professional standards.
- 39** The original Medium Term Financial Plan (MTFP) set out in the 'time for change document' was confusing as there were two streams of savings identified which did not reconcile. The savings strategies reflected savings of £17.9 million over the next five years (to 2013-14) whereas the report referred to a need to make £28.3 million savings over the same period – a £10.3 million shortfall. The report was also confusing as it mixed Transformation Programme issues with other service savings but not in a clearly identifiable way.
- 40** A revised MTFP was produced in March 2010 called the Forward Financial Plan (FFP) savings strategies. This document identifies savings of £29 million which is in line with current planning assumptions. However, within the detailed savings plans there is approximately £5.5 million of currently unidentified savings

in the last three years of the plan which represents 19 per cent of the total needed. A high proportion of the savings identified also relate to staffing issues which have yet to be finalised. It is also difficult to link savings from the tier 1 Transformation Programme projects to the FFP with only the transforming older people's services and waste management projects being clearly identifiable. The timing of some of the savings streams also appear to be a little optimistic. The Council has developed a comprehensive risk register to effectively manage risk within the Transformation Programme. It has built on this work to create a corporate risk register that reflects risks from the Transformation Programme as well as service-based risk identified by heads of service. These registers are reviewed and updated regularly and provide an effective mechanism for identifying and managing risk across the Council.

#### **Weaknesses in the Council's corporate approach to ICT and some aspects of people management and partnership working represent risks to the delivery of its objectives**

- 41** The Council has a Workforce Strategy approved by Cabinet that consists of measures to reduce the workforce by 740 posts over the period of the FFP. It is expected that the areas where the first 200 jobs will be saved will be agreed with the Trade Unions by 31 July 2010. The initial approach to reducing job numbers will be through early retirement, voluntary redundancies and a recruitment moratorium, as well as reduction in the pay bill through changes to terms and conditions.



- 42** While the Council has an approved workforce strategy there are weaknesses in its workforce planning. It does not currently have an embedded approach to staff cost reduction that is based on integrated service, financial and workforce plans. The development of such an approach would enable the Council to identify emerging capacity issues and develop an approach to staff development and redeployment that will help to ease potential problems. The absence of such a strategic approach presents a significant risk of a future mismatch between resource requirements and skills supply. The Council does not have a staff performance appraisal process in place. Developing appraisal processes and consistently holding staff accountable for their performance would play a key part in strengthening performance management arrangements.
- 43** Currently line managers address poor individual performance when it becomes apparent. Line managers have an obligation to involve Human Resources (HR) officers if the situation remains unresolved. There are no clear criteria for involving HR support which can lead to inconsistent practice.
- 44** The Council has identified Sickness Absence as a priority action area and has formed a small team to undertake a baseline review and create a plan for action. Sickness absence figures are stable at slightly above the Welsh average but performance information does not contain enough detail for the Council to fully understand sickness absence issues at a departmental level. Line managers feel unsupported and uncertainty over roles and responsibilities leads to inconsistent application of policies.
- 45** The Council has restructured the HR function to develop a more corporate approach to the implementation of policies and procedures. The new structure involves a significant change for managers in all services and is designed to support and encourage 'managers to manage'. There are pockets of good people management practice as evidenced by the recent positive Investors in People report produced for the Social Services Health and Housing Directorate. The Council needs to ensure that this good practice is embedded and spread to areas where there are shortfalls in current practice.
- 46** The Council does not currently have an ICT Strategy. This is a significant weakness in what is a vital corporate enabler. The ICT service is itself undertaking a systems review but progress is slow. A recent customer satisfaction survey showed weakening performance.
- 47** Over the last 14 years the Council has committed to a wide range of partnerships and partnership working remains a priority. The Council has recognised that its approach now needs rationalising to ensure officer time is used constructively and resources are used more effectively.
- 48** The Council has established a range of joint posts which are mainly linked to the availability of grant funding. Whilst the posts have been jointly funded the Council is perceived to be keen to retain all management responsibilities within their structures. This has the danger of inferring that the Council is not fully committed to partnership working. More recently there is evidence to suggest that this approach may be changing.

**49** At times, the Council has been innovative, for example developing a Primary Care Resource Centre as a joint partnership with health and a third party developer. However governance arrangements in some partnerships have not been as effective as they could be particularly around challenge and scrutiny, both from within the Council and the LSB. In addition little progress has been made in establishing joint performance indicators and success criteria with partners.

**50** There are some strong partnerships including the Civil Contingencies Partnership and the Health Social Care and Wellbeing Partnership, where priorities are being addressed such as accelerating the approach to developing integrated care.

**51** At times there have been communication weaknesses which have led to difficulties with partnership working in particular within the Children and Young People Partnership and Continuing Health Care (CHC). However, despite these communication problems the Council has been seen as very engaged in the Children and Young Peoples Partnership, developing the parents and carers strategy with the health board.

### **Weaknesses in performance management arrangements mean that there are gaps in both corporate and departmental knowledge**

**52** The current corporate performance management arrangements concentrate on measurement and monitoring within a centrally driven framework rather than the process being owned by the service. The emphasis is on performance measurement rather than performance management.

**53** The Council's scrutiny of performance is weak and the Council is developing its approach to make it more effective. This new model includes officer and member scrutiny at all key stages and should provide the Council with a more complete picture of performance and enable it to manage performance more robustly.

**54** The Council's adoption of systems thinking encourages it to take a different perspective on the measurement of performance. However, the Council has not yet fully developed new measures that can be analysed to determine the extent of improvement. Although at the micro level, systems reviews are providing performance information which officers are using to improve service delivery.

