



WALES **AUDIT** OFFICE
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Newport City Council

Report by the Auditor General for Wales

Preliminary Corporate Assessment – July 2010



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Image courtesy of Newport City Council.

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The new leadership is showing signs of strength, establishing the foundations of transformational change and addressing longstanding financial management issues, but Newport City Council needs to put in place medium-term financial plans and further develop its strategies and change programme to underpin and sustain improvement.

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Summary

- 1 The Auditor General is required by the Local Government (Wales) Measure (2009) 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/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 his/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), CIPFA and SOLACE. In evidence to the 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 Newport City Council’s (the Council) 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 the new leadership is showing signs of strength, establishing the foundations of transformational change and addressing longstanding financial management issues, but the Council needs to develop medium-term financial plans and further develop Information and Communication Technology (ICT), asset management and people strategies and change programme to underpin and sustain improvement.
- 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:
- whilst adjusting to significant political and officer change, the Council has set a balanced budget, retained a focus on key priorities, and started developing and implementing a framework for transformational change; and
 - there are signs that strong leadership and the emerging framework for change, underpinned by a greater focus on budget management, efficiency and partnership working should support improvement but medium-term financial planning, outcome measures, people, asset and ICT management strategies need further development.

Areas for improvement

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

Exhibit 1: Areas for improvement

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| P1 | Refine and develop performance information arrangements to identify the benefits of Council activities and that of its partners in terms of outcomes for citizens and communities. |
| P2 | Put in place a medium-term financial plan that is aligned to the delivery of the transformational change programme. |
| P3 | Implement ICT governance arrangements to support the strategic development of technology aligned with service business needs and corporate standards. Incorporate ICT investment into medium-term financial plans and ensure that technology is delivered in the most cost-effective way, is sustainable and does not result in unnecessary risks and support overheads. |
| P4 | Develop Human Resource (HR) and organisational development arrangements that are aligned with delivery of the Fit for the Future programme. |
| P5 | Address weaknesses in asset management by incorporating recommendations in the Wales Audit Office Buildings Management Report into plans for the establishment of the integrated property service. |
| P6 | Implement arrangements to monitor report and track external regulator reports and recommendations with relevant officers and elected members. |

Part 1: How the Council has approached improvement over time

Whilst adjusting to significant political and officer change, the Council has set a balanced budget, retained a focus on key priorities, and started developing and implementing a framework for transformational change

11 Since 2008, the Council has experienced a change of political leadership followed by a complete change of the Corporate Management Team (CMT) in 2009. A coalition agreement sets the priorities of the political administration and the CMT is in the early stages of transformational change.

New political and officer leadership is establishing itself, sustaining performance and delivering priority projects

12 Recent years have seen significant change in the political and officer leadership of the Council. In May 2008, a coalition of Conservative and Liberal Democrat councillors formed the new administration of the Council after more than 20 years of leadership by the Labour group. During 2009, the Council appointed a new CMT comprising a Managing Director, three Corporate Directors and, in February 2010, a new Head of HR.

13 The political administration adopted a coalition agreement setting out 21 priorities for action. These priorities included immediate actions such as the reduction in the number of Cabinet members and a reduction of special responsibility allowances. The Council has consolidated and prioritised the 21 priorities with other initiatives into 10 major projects. One of the projects uses prudential borrowing to fund 'Project 21', a three-year £21 million improvement programme to address the backlog of roads maintenance in the city over the next three years.

14 Analysis of the Council's balanced scorecard measures for 2008-09 showed that 67 per cent of performance indicators either maintained or improved their performance – a one per cent increase on the previous year.

15 Raising educational standards has been a key focus for the Council with excellent results at key stages 1 and 2, and good results at key stage 3. Results at key stage 4 are weaker but showing some improvement.

16 In March 2010, CSSIW reported that the Council had an inconsistent approach to the protection of vulnerable adults and needed a clearer, agreed vision of how adult protection services should develop. Adherence to procedures varied, there was limited progress at implementing and embedding previous regulator recommendations, and improvements achieved may not be sustainable in the longer term.



The Council produced a balanced budget for 2010-11, for the first time, and continues to drive its efficiencies agenda

17 The newly appointed Managing Director and Corporate Directors' initial primary focus was the 2010-11 budget and to address the £8.6 million reductions required and move from a reliance on balances. The new leadership is getting to grips with the complex strategic picture, and has demonstrated strong leadership by taking some difficult decisions and providing a clearer focus on finance.

18 The administration recognised that continuing to use general balances in setting its budgets was not sustainable, particularly given that the economic outlook indicates the public sector is facing significant reductions in financial resources over the medium term.

19 The Council engaged the WLGA to conduct a peer review of its financial management arrangements. Key issues raised relate to:

- development of a robust medium-term financial plan;
- ensuring budget proposals are realistic; and
- development of capital strategy.

20 The Council established an internal Efficiency Unit to project manage efficiency reviews. They have looked primarily at:

- school catering, savings of £800,000 per annum expected;
- travel and subsistence rates have been reduced to yield savings of £150,000 to £300,000);

- use of professional services;
- building services (former DSO); and
- use of voluntary sector grants.

In addition, the Council has appointed a performance and improvement partner to drive its efficiency projects which have concentrated on areas related to transport. The basis for the payments to the partner is a proportion of the savings that they achieve.

21 Corporate Directors are engaging with Heads of Service and their operational managers to develop ideas for transforming the way their services are being delivered, within resources available and for seeking further efficiencies. This approach has so far led to changes to the provision of meals on wheels and day services for vulnerable and older people.

22 In September 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that the Council has complied with financial and performance improvement reporting requirements.

23 On 9 December 2009, the Auditor General and Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council identifying that:

- the Council had appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008-09 but faced significant financial challenges and there were weaknesses in its accounting and grants management arrangements;

- the Council's Housing Service was evolving but was not yet fully effective following transfer of its housing stock;
- the Council had adequate arrangements in place to ensure that children and young people used council-provided internet facilities in schools safely and responsibly; and
- the Council had shown a willingness and ability to improve its corporate approach to support the delivery of services although the delivery of asset management and ICT support to business continuity was not being undertaken on a corporate basis.
- performance – transforming the way services are delivered: delivering efficient outcome-focused services aligned with the Fit for the Future programme; and
- you – the role that individual staff play in achieving objectives and the attributes, skills and sense of purpose needed.

The new CMT is establishing a framework for change, aligning service activity with a vision of transformational change

- 24** During 2009, new working relationships have been established between the Managing Director and Corporate Directors and the CMT and Cabinet. The CMT began the process of creating a new vision. Recognising the need for clarity of purpose and consistency of message and action in all plans for implementing change, senior staff have been engaged in discussions and a framework Fit for the Future has been adopted.
- 25** Fit for the Future focuses on four key areas:
- city – supporting development of a 21st century city that people feel good about;
 - customer – reflecting upon how services are delivered with a focus on the quality of the outcome for service users;
- 26** Cabinet adopted a new operating model for the delivery of services at a time of transformational change on 13 April 2010. This model involves a reconfiguration of services and is designed to change the focus from professional/specialised silos towards one where multiple services can be accessed through a single customer interface. Implementation of changes is in progress.
- 27** Recognising the need to deliver priority projects within existing staff resources, the CMT has redeployed staff and resources as means of sustaining the focus on key areas of activity.
- 28** The CMT is bringing together the Council's priorities and key projects into a consolidated plan, the Fit for the Future Improvement Plan, which will be presented to Cabinet on 15 July 2010.



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

There are signs that strong leadership and the emerging framework for change, underpinned by a greater focus on budget management, efficiency and partnership working should support improvement but medium-term financial planning, outcome measures, people, asset and ICT management strategies need further development

Strong leadership, a vision and developing framework for the future, improved budget management and partnership working are supporting improvement

29 Having established the framework Fit for the Future and the operating model designed to support its delivery, the CMT is engaging with staff to more clearly articulate their role in the delivery of change and match resources to its 10 major projects.

30 In conjunction with service managers, the CMT continues to review existing and alternative methods of service delivery with a view to improving cost efficiency combined with a greater focus on service user outcomes. Projects and initiatives arising include:

- Providing integrated customer services by improving and reducing the cost of delivering services to customers through better use of technology, using different ways for people to access the Council's services such as face-to-face centres, customer contact centre, web and digital TV.
- Changing traditional working arrangements with an approach more aligned and integrated with the other agencies working in a neighbourhood. The Council has plans to adopt a neighbourhood management approach. It has looked at dividing the city into sectors based upon existing areas such as the police areas, community safety officers, school clusters and health areas, and aligning Council resources within a neighbourhood area.
- Changing the way in which services are commissioned and enabled. For example:
 - Through multi-agency face-to-face centres and combining public services. For example: the Aneurin Bevan Health Board has plans to develop an East Newport Health and Social Care Centre in the Ringland/Alway area.

The Council is working closely with the health board to ensure that the centre has capacity to act as a community satellite for the Face-to-Face Project.

- An occupational therapist working with the adaptations team is being trialled.
- Using Cardiff City Council to provide a student finance service at a lower cost.

31 For 2010-11, the Council moved from an historic dependency on the use of balances to a more sustainable approach by setting a balanced budget. Corporate Directors are also expecting Heads of Service to play a more active role in budget management and in generating ideas for more efficient use of resources.

32 The Council is looking at alternative ways of using available resources to deliver priorities. The Business Efficiency Unit has a sound methodology for reviewing areas for savings and recording its findings and recommendations, and there has been good prioritisation of the areas to examine for savings. The unit has worked quickly to bring its ideas and reviews to a conclusion, identifying savings and some innovative funding arrangements. For example, whilst it is early to say that the Business Efficiency Unit has been a resounding success, given that it is relatively early days in terms of delivering the savings identified against the costs of setting up and running the unit, the initial indications are positive.

33 Prudential borrowing is being used to underpin a major highways maintenance project. The £21 million being borrowed is based on a business case that insurance claims will greatly reduce. The approach is

viewed as innovative and forward-thinking, addressing long-term issues rather than continuing to apply short-term solutions, and its success is being closely monitored by others.

34 The Council is also able to demonstrate effective partnership working. Some examples of this are:

- Gwent Frailty Scheme participation. The five local authorities in Gwent, Wales, recognised that health and social care needed to change in order to meet increasing demand with a diminishing public purse. The components of system change include:
 - letting acute hospitals do what they are good at, rather than become the default location for, in particular, older people who have more generalised needs;
 - using the resource within the health and social care systems in a more coherent, effective and integrated way;
 - providing a less complex and confusing experience for the person at the centre so that the focus is on their regaining and maintaining independence; and
 - treating the person and their carer with respect and dignity, and as an active participant in the care process.
- Multi-agency face-to-face centres whose objectives are improving services and reducing costs through effective partnering with the public sector. Residents treated with respect by key partners who come together to join up services for the most vulnerable. The overall governance for the Face-to-Face multi-agency project is the



responsibility of the Local Service Board (LSB), One Newport. A Face-to-Face project group comprising of Health, the Council, Citizens Advice Bureau and Police representatives report to the LSB.

- Prosiect Gwyrdd – the Council is a member of the regional partnership, Project Gwyrdd, together with four other South Wales councils. This partnership reflects a joint need to procure residual waste treatment facilities to reduce the amount of biodegradable waste going to landfill and to secure long-term disposal for residual wastes. The partnership has made good progress since its initial creation in 2007. An outline business case has been developed involving a comprehensive assessment of financial, legal, governance and technical issues. While Prosiect Gwyrdd is soundly established and may prove a cost-effective way of dealing with residual waste, considerable challenges face the Council in meeting long-term targets.

The Council is making good progress in developing medium-term financial plans and evaluating the longer-term sustainability of activity, but current performance measures do not yet clearly demonstrate outcomes

35 The key issues the Council needed to address were:

- the lack of a robust medium-term financial plan;
- no review of whether budget proposals continue to be realistic; and
- the absence of a capital strategy.

36 In order to help address these issues, the Council commissioned a peer review by the WLGA and sought private sector perspective and advice to help develop and establish medium-term financial arrangements that link with the Fit for the Future programme.

37 As part of setting the 2010-11 budget and closure of 2009-10 accounts, the Council reviewed the base budget in detail which resulted in a more realistic budget in going forward. This included stopping reliance on general reserves to support the base budget, providing for an 'invest to save' fund, a base budget provision for organisational change costs and base budget contingency providing foundations for the Council to move ahead on its service changes.

38 The Council is making progress in developing a medium-term approach to financial planning, ensuring key and significant projects have funding to support them. Budgetary provision has been identified and set aside or included in budgets for some of the Council's key projects, such as city centre regeneration and the creation of a 'Face-to-Face Centre' which aims to improve and expand the ways in which customers access Council services.

39 A three-year view of available resources was prepared and targets set across the Council to bring forward service changes. This supported the Council in starting to plan service transformational changes and deliver 'fit for future' services over the medium term.

40 In addition, the Council has prepared and agreed a four-year funding plan and the quantum of savings required identified and agreed, and is in the process of developing a new capital strategy.

41 Key major projects have recognisable links with the Corporate Plan but service plans which were used to inform the Fit for the Future programme need realigning following prioritisation and consolidation. Whilst this is not yet impacting upon delivery against key priorities, the Council needs to be clearer about intended outcomes of service activity and assessing achievement.

42 The Council's Performance Board plays a positive role in evaluating delivery of key priorities and ensuring a focus on key areas of service, challenging existing methods of delivery and driving improvement. The board has been in place for several years and emphasises the responsibility and accountability of Cabinet members for performance. It provides a useful forum for discussion of performance between members and officers, and enables the generation of ideas for improvement.

43 Performance information is currently gathered using a balanced scorecard approach and produces a range of information. But, measures do not provide clarity about outcomes for service users and other stakeholders. The Council has reviewed, and in July 2010 revised, its approach to monitoring progress against cores strategic priorities, identifying the 'critical path'. The main focus in the future is intended to be on the outcomes being achieved with the Council seeking to assess the 'impact' of its activities on Newport. Future service plans will be based on this approach.

44 External regulators' reports have not always been systematically shared with the Council's overview and scrutiny forums. Similarly, arrangements for implementing recommendations have been weak. The Council is reviewing its arrangements to improve the coordination and reporting of external regulators' reports to better inform councillors of findings to enable them to take appropriate action.

Steps are being taken to improve corporate asset management but arrangements are not yet aligned with delivery of the change programme

45 Key findings from the Wales Audit Office buildings management review in 2009 identified examples of good practice, particularly in relation to the Council's operational management of its land and buildings, although we also identified areas for improvement. Our key findings were that:

- the Council has a corporate asset management plan and asset management group to support delivery but its strategy and management approach is not robust or resourced to deliver significant improvements in the future;
- performance management arrangements are in place but these are not robust enough to inform and deliver the corporate asset management plan;
- the Council has systems for managing its land and buildings but these are not consistently securing value for money at all times; and



- the Council does have arrangements for securing value for money from its operational management of land and buildings but needs to improve the coverage and resourcing of some plans.

46 In response to this, the Council has agreed the establishment of integrated property services to ensure activity becomes aligned with Fit for the Future.

Current arrangements for people management and strategic management of ICT are not aligned with delivery of the change programme

47 HR arrangements were the subject of a specific Wales Audit Office study between February and March 2010. A new Head of HR appointed in February 2010, following the retirement of the previous long-serving Head of HR, has been working with the CMT to develop HR and organisational development that support delivery of the Fit for the Future programme.

48 The CMT recognises the need to improve HR arrangements so they better support delivery of priorities. The Council faces a number of HR challenges, in particular:

- currently, there is no strategic workforce plan (although there is a degree of workforce planning within social services);
- some HR policies are inconsistently implemented at operational level;
- sickness absence has not been addressed effectively and remains high with 50,000 days lost in the 10 months to January 2010 – an average of between 11 and 10 days per member of staff; and

- development of new skills and competencies expected of managers and staff to support delivery of the change programme, as there is no consistent corporate approach for identifying and meeting training needs.

49 The introduction of GCSX standards in 2009 required the Council to comply with 93 detailed rules to be able to exchange benefit data electronically with the Department for Work and Pensions. This has helped the Council, via its Information Systems and Communication (ISC) Service, to enforce technology standards, develop, update and consolidate the ICT infrastructure and address areas that had been deferred in previous years because of limited capital funds. These developments provide sound foundations upon which the Council can work to further transform services.

50 The Council plans to achieve service transformation and efficiencies through greater and improved use of technology, including:

- providing a variety of ways for citizens to access Council services such as via the internet, telephone, multi-agency face-to-face centres and digital TV;
- providing and supporting home and mobile working for Council staff; and
- business continuity management requirements.

51 The impact of these plans will inevitably mean additional and increased demands and challenges for the ISC Service as the Council's use and dependency on technology increases, but it is not yet clear how this will be resourced. In addition, although work is currently underway to improve business continuity

arrangements, the Council is not yet well placed to deliver critical services which are dependent upon ICT in the event of a major disruption.

- 52** Corporate ICT governance arrangements previously implemented are no longer in place. The CMT has taken responsibility for ICT governance and is taking major ICT-related decisions based on invest to save criteria. The Council's approach to ICT has been ad hoc; it is currently developing its strategic corporate approach to ICT to underpin the Fit for the Future programme linked to the Welsh National IT Strategy.

