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Dear Stewart

## Improvement Assessment Letter

This letter summarises the key conclusions arising in my work, in respect of improvement reporting under the Local Government (Wales) Measure 2009 (the Measure).

I am required to report my audit and assessment work in relation to whether Newport City Council (the Council) has discharged its duties and met the requirements of the Measure.

Further to my first Improvement Assessment letter of 10 October 2012, this second letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement reporting;
- my views, and the views of relevant regulators, on the reliability of the Council's self-evaluation;
- my further proposals for improvement and/or recommendations.

Further to this I will continue to undertake work on the arrangements that support the Council's performance management and reporting over the following months.

I shall summarise all of my work and that of relevant regulators during 2012-13 and publish an Annual Improvement Report for the Council by the end of March 2013.

**The Council has discharged its improvement reporting duties under the Measure; however, it should ensure that it acts more in accordance with Welsh Government guidance**

I have reached this conclusion because:

- the Council published an assessment of its performance during 2011-12 in its Annual Performance Review on 31 October 2012;
- the Review assesses the Council's performance in the preceding financial year (2011-12) and sets out how the Council has sought to discharge its duties under the Measure;
- the Review includes details of performance and comparisons as measured by the national statutory performance indicators; and
- the Review includes details of the ways in which the Council has sought to collaborate.

However, the Council needs to act more in accordance with Welsh Government guidance by:

- evaluating its success in achieving its improvement objectives and expressing its view clearly;
- using a wider evidence base of information to enable it to assess whether it has met its improvement objectives;
- extending the use of comparative information including historical performance and comparison with other bodies;
- maximising accessibility to citizens and stakeholders of its performance assessment; and
- actively seeking feedback and comments from citizens and communities on its Performance Review.

**The Council recognises that its processes for self-evaluating its performance have been weak, disjointed and inconsistent, and did not fully support improvement or enable it to demonstrate if improvement objectives had been delivered**

**The Council's review did not demonstrate whether it has achieved its improvement objectives and improved outcomes for citizens**

The Council has not undertaken an effective evaluation of its performance in relation to delivering its improvement objectives (Appendix 1), or made it easily accessible to citizens. There are limitations in the Council's evidence base. It has not effectively utilised the evidence that it has available, and which is used by services, to evaluate its performance and improvement. This, along with a lack of clearly articulated improvement

objectives, limited the Council's ability to demonstrate where it has or has not improved, whether it has achieved its improvement objectives, and if citizens are better off.

Its published Review does not include a clear statement of whether the Council considers it has been successful in delivering its improvement objectives. The Review is limited to providing an update of actions identified in the Council's Improvement Plan 2011-12 with no explanation of how the actions have contributed to the delivery of the improvement objectives. There are limited performance measures directly associated with each action and, although there are some 'headline population indicators' for each improvement objective, there is no commentary on whether the Council's 2011-12 performance demonstrates improvement or decline.

The Council has 23 specific 'headline population indicators' for the nine improvement objectives but only 22 are reported. One of these indicators does not have information for 2011-12 and another has data that is not directly comparable to its original baseline. As no targets are included for 2011-12, our analysis of the 20 headline indicators compared with baseline figures that relate to various time periods indicates that 12 (60 per cent) of the measures show an improvement in performance with eight (30 per cent) of the measures showing a decline in performance. The measures related to the improvement objectives 'Positive Image' and 'Excellent Education for All' show that they had all improved in 2011-12, whilst some measures relating to the other improvement objectives show a decline in performance.

Councils are encouraged by Welsh Government guidance to include in their evaluation of their performance the results of peer reviews, scrutiny assessments and other sources of more qualitative information, such as customer satisfaction and benchmarking data. The Council has used a limited 'basket' of evidence in its Review which means it does not provide a full picture of its performance or improvement. Although the Council states that it is using an approach to managing performance that focuses on outcomes (Results Based Accountability or RBA), the measures quoted in the Review are not yet sufficiently outcome focussed. The Council has informed us that the approach is under development and will underpin its improvement programme for 2013-14.

For example, in terms of measuring success in delivering the improvement objective 'A Vibrant City Centre' there are two 'headline population indicators': footfall and city centre competitiveness. Although these two indicators are included in a table at the end of the narrative description, there is no explanation of what the stated figures are intended to demonstrate. The reader is left to draw their own conclusion on whether performance is improving or not and whether the Council has met its improvement objective. The target/forecast relating to these two indicators, which should articulate what the Council was seeking to achieve in 2011-12, are not included. It is therefore difficult to determine if performance has improved in line with expectations. In order to assess performance as measured by these indicators the reader would have to access the separate Improvement Plan 2011-12 and decipher what the forecast/target was for 2011-12 from graphs.

A separate section of the Review includes all 24 National Strategic Indicators (NSIs) as required by the Measure. Each indicator includes information on the Council's actual performance in 2010-11 and 2011-12, its targets for 2011-12, and the Welsh average performance for 2011-12. The indicators are colour-coded red, yellow, or green but there is no explanation of what this colour coding means. There is no commentary to explain what the indicators mean or could be interpreted to mean, including whether they represent an improvement or decline in performance and what is going to be done to improve if appropriate. Again, the reader is left to come to their own judgement on whether performance is improving or not.

Of the 41 performance indicators reported in the Review, 40 can be compared with the previous year. Of the 40, 24 (60 per cent) show an improvement in performance in 2011-12 as compared to the previous year, and 16 (40 per cent) show a decline in performance. 36 indicators have targets for 2011-12, of which 18 (50 per cent) show that the Council did not meet the targets it set itself. There is no meaningful comparison of performance undertaken using the NSIs to reveal how the Council performs compared with other Welsh councils.

I previously reported in my October Improvement Assessment letter that the Council had effective arrangements in place to collect, record and monitor performance indicators. However, our analysis of the performance indicators contained in the Review reveals that five have been misquoted.

The Review was available, in English, on the Council's 'Performance' webpage on 31 October 2012. However, its accessibility is limited. It was not accompanied by a press release or a promotional banner on the Council's homepage and therefore required knowledge about where to look for it on the website. There are no hardcopies being produced and there is no information within the document about how citizens can get a different format, for example in Welsh or large font, or feedback views.

**The Council recognises that its processes for self-evaluating its performance have been disjointed and hindered the Council from effectively managing, evaluating, reporting and improving performance**

Fragmented reporting, inconsistencies between information available within service areas and that used corporately, weaknesses in service planning and the development of improvement objective actions and measures significantly hindered the Council from being able to effectively manage, report, evaluate and improve performance. The increasing proportion of service performance measures that have declined over the last three years, as reported in its Review, combined with these weaknesses pose significant risks and challenges to the Council. It has recognised the need to address these weaknesses and has begun to make changes to the way in which performance data is reported in order to better manage performance across the Council.

I have previously made a number of proposals for improvement relating to performance management arrangements (see Appendix 2). In my October Improvement Assessment letter I noted that the Council recognises, amongst other issues, that accountability and performance management needed to be improved, and it would be undertaking a fundamental review of its service plans and business planning processes. The Council states that it is committed to strengthening performance management through its Performance Board by ensuring that accountability for delivery of improvement, transformation and efficiency is clear across the organisation. However, the Council has not yet clarified where the strategic responsibility for performance management will be located within its new management structure. This lack of clarity further hampers the Council's ability to strengthen its performance management and evaluation arrangements to drive improvement. I will continue to monitor the way in which the Council develops its approach to performance management.

I have highlighted below the key findings from my recent work that the Council should consider when undertaking its fundamental review of service plans and business planning processes and developing its approach to performance management.

**Service Plans.** Each service is required to produce a service plan at the beginning of each financial year. Services are required to report on the content of the plans but many of the plans lack outcome focussed measures to demonstrate impact and outcomes for users. Services lack ownership of improvement objectives because service plans do not clearly reflect each improvement objective that is relevant to them. This means that the Council's current service plans do not help it to monitor and evaluate the delivery of its improvement objectives.

Service plans are reported to the relevant overview and scrutiny committee and are subject to a six monthly review. Our examination of a selection of service plan reviews revealed a number of weaknesses:

- the covering reports to scrutiny do not reflect the Council's improvement objectives, but contain different objectives<sup>1</sup>;
- reporting focuses on volume of activity (ie, how much have we done) rather than the impact of activity in delivering outcomes for citizens (ie, is anyone better off);
- the measures of performance are insufficient to evaluate improvement or progress in achieving the Council's improvement objectives; and

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<sup>1</sup> To make our city a better place to live for all our citizens, To be good at what we do, To work hard to provide what our citizens tell us they need.

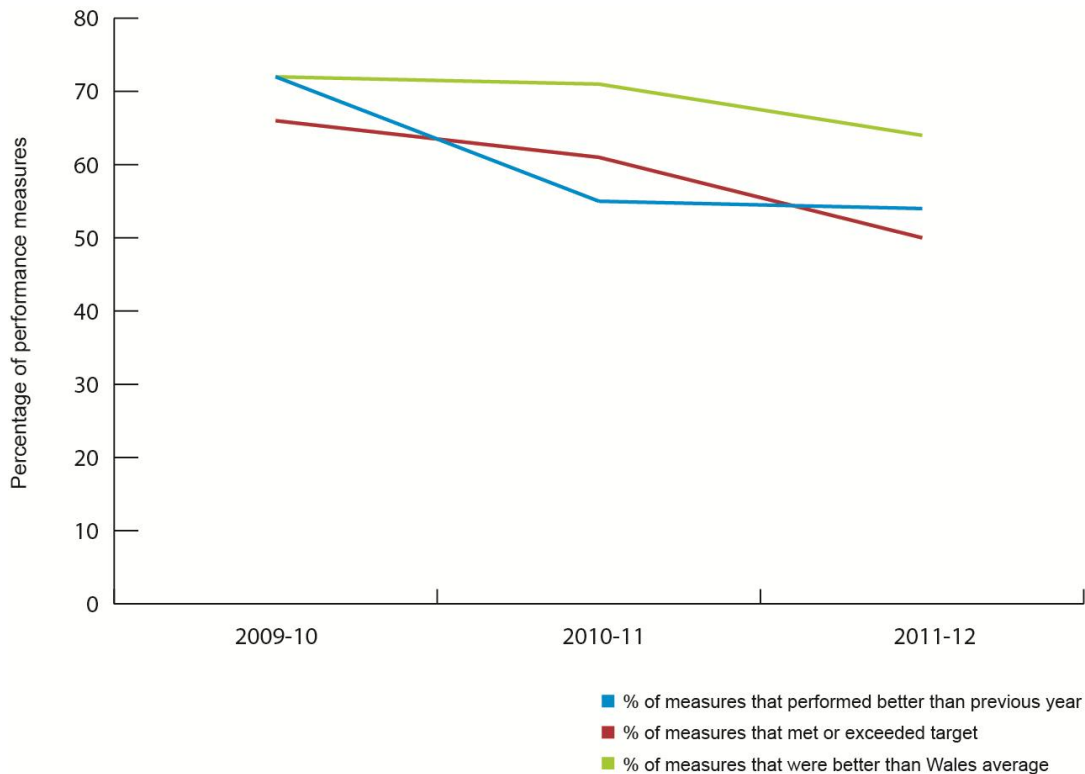
- there is limited benchmarking and comparison and, more significantly, there is no overall evaluation to judge how well or not the service has performed.

Due to the weakness in the format, structure, content and reporting of some service plans, it is difficult to see how scrutiny committees are able to effectively challenge the plans or understand how well the Council is improving services and delivering its improvement objectives.

**Performance Reporting.** A wide range of performance and other useful information is collected and used within service areas and is regularly reported at a number of different management levels within the organisation as well as to Members. However, weaknesses in the selection and presentation of this information meant that the Council could not effectively evaluate or easily use it to make judgements about how the Council as a whole was performing and delivering its improvement objectives. There has been a disconnect between the information available within service areas to judge how well they were performing and that which is used and reported corporately to make a Council-wide assessment of performance.

Performance, as measured by indicators, is reported to Performance Board each quarter as well as at year-end but is not structured around the improvement objectives. This has made it difficult for Members to evaluate how the Council is performing in relation to its improvement objectives. Performance Board received the performance indicator analysis for 2011-12 in November 2012. The Council clearly states that its overall goal 'is to secure continuous improvement across everything it does by making incremental and prudent changes to the way it plans and delivers services and conducts its business'. However, the analysis of the 161 performance measures shows that the Council's performance in these areas over the last three years has declined:

Figure 1: Analysis of performance measures compared with previous year, in-year target and Welsh average for 2009-10, 2010-11 and 2011-12



Corporate Directors Team receives monthly performance updates. Since 2011-12 the format of reports has evolved to try to identify key measures that need closer monitoring, either because they were considered key indicators or were not meeting target. Like the Council's other performance reports, the reports to Corporate Directors Team do not measure progress against its improvement objectives. Corporate Directors Team also received a year-end report on *Our Council Our City* which included a high-level summary of actions, together with performance against 20 of the 23 measures relating to its improvement objectives. This report contains the most up-to-date performance data for 2011-12 but does not include corresponding targets for 2011-12, making a reliable assessment of progress difficult.

Cabinet previously received quarterly updates on the key actions related to the improvement objectives in *Our Council Our City*. The key weakness in these arrangements was that they were limited to a narrative update of actions only. The updates did not contain any information on performance as measured by indicators or other evidence, and there is no overall evaluation of the progress being made on delivering the improvement objectives. In November 2012 the Council changed the way it

reports progress against its Improvement Plan 2012-13 to Cabinet. Reports now contain performance indicators as well as an indication of what will be delivered at year-end and whether progress is on track.

The nominated responsible officers and Cabinet Members for each improvement objective were not involved in agreeing the section relating to their improvement objective in the Review. Accountability and ownership for reporting and, more importantly, evaluating progress on improvement is not clear.

### **The Care and Social Services Inspectorate Wales' Annual Review and Evaluation of Performance 2011-12**

The Care and Social Services Inspectorate Wales' (CSSIW) report in October 2012 noted that: 'The Director's report is detailed and places the achievements of the Council and the priority areas for development within a clear local and national context. The Director acknowledges areas of challenge to achieving objectives as well as areas where progress has been made. The evidence provided by the Council to support evaluation has been detailed and, when requested, has made further evidence available. However, more can be done to develop the analysis of actions taken, or the impact of services provided to highlight outcomes for individuals or families. This is true of many local authorities across Wales'.

### **Further proposals for improvement**

Some new proposals for improvement are being suggested in this letter. We will continue to monitor and report on the progress made by the Council in implementing the proposals set out in my previous reports and letters.

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#### **Proposals for improvement**

- P1 The Council should ensure that it acts more in accordance with Welsh Government guidance by:
- evaluating its success in achieving its improvement objectives and expressing its view clearly;
  - using a wider evidence base of information to enable it to assess whether it has met its improvement objectives;
  - extending the use of comparative information including historical performance and comparison with other bodies;
  - maximising accessibility to citizens and stakeholders of its performance assessment; and
  - actively seeking feedback and comments from citizens and communities on its Performance Review.
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**P2 Performance Management**

The Council should:

- clarify strategic responsibilities for performance management within its new management structure; and
- implement more joined-up/coherent and robust corporate arrangements to manage, report, evaluate and improve performance.

## Appendix 1

### **Our City Our Council - Improvement Objectives 2011-12**

#### **Feeling Good about Newport**

1. Vibrant City Centre
2. More Business, More Jobs
3. Excellent Education for All
4. A Safe and Healthy City
5. A Positive Image for the City
6. Good Transport Links

#### **Fit for the future**

7. Customers
8. Performance
9. You

## Appendix 2

Proposals for improvement	Status at October 2012
<b>Preliminary Corporate Assessment, July 2010</b>	
1. 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.	<b>Status: in progress and proposal remains open</b>
<b>Annual Improvement Report, January 2011</b>	
7. Set clear priorities for action in the context of reduced resource availability.	<b>Status: in progress and proposal remains open</b>
8. Set outcome measures that enable the Council to identify the impact of its activity for the community and service users.	<b>Status: in progress and proposal remains open</b>
10. Ensure service business plans incorporate realistic estimates of financial, staff and other resources required to deliver proposed actions.	<b>Status: in progress and proposal remains open</b>
<b>Corporate Assessment Update Letter, September 2011</b>	
12. Strengthen the understanding of managers so that service plans for 2012-13 consistently identify clear outcome-focused measures related to achievement of improvement plan objectives.	<b>Status: in progress and proposal remains open</b>

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Communities