



24 Cathedral Road / Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 20 320500
Fax / Ffacs: 029 20 320600
Email / Epost: wales@wao.gov.uk
www.wao.gov.uk

Mr Jeremy Patterson
Chief Executive
Powys County Council
County Hall
LLandrindod Wells
Powys
LD1 5LG

Date 26th September 2012
Our reference 474A2012
Your reference
Tel No 029 2032 0500
E-mail walesauditoffice@wao.gov.uk
Pages 1 of 11

Dear Mr Patterson

Improvement Assessment

I am required, under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether Powys County Council (the Council) has discharged its duties and met the requirements of the Measure.

This letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement planning;
- my views on the Council's compliance with requirements to make arrangements to secure continuous improvement, based on work carried out to date by the Wales Audit Office and relevant regulators, including:
 - the Council's progress on areas for improvement and recommendations identified in my previous assessments;
 - any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
 - a brief summary of any reports of relevant regulators issued since my last report.
- my further proposals for improvement and/or recommendations; and
- updates to the Wales Audit Office work plan and timetable for delivering my Improvement Assessment work.

I shall update my views during the year and will provide a further letter by the end of November 2012.

The Council has discharged its improvement planning duties under the Measure. However, it should ensure that it acts more in accordance with Welsh Government guidance and that its improvement plan effectively conveys what it is going to do differently and how this will affect the lives of citizens.

I have reached this conclusion because my audit and assessment work found that the Council's improvement objectives and its annual improvement plan *Powys Change Plan 2012-15* (the Plan), broadly meet the requirements of the Measure and guidance issued by the Welsh Government although future Plans could usefully make reference to the requirements of the Equality Act 2010 and how this influences the improvement programme. The Plan incorporates the Council's response to our statutory recommendations concerning adult services, and capacity and capability that we made in our Annual Improvement Report in January 2012, although the latter is not developed in detail.

The Plan reaffirms the five improvement objectives that form the Council's contribution to the 10 shared *One Powys* outcomes it has jointly agreed with partners. These outcomes have been endorsed through consultation with residents and other stakeholders during summer 2011. Whilst further consultation has since taken place concerning projects designed to deliver the Council's improvement objectives, details of that consultation are not reflected in the plan.

The Plan could be more effective in conveying what the Council plans to do differently or the impact its actions will have on citizens. The Council has still to address some of the proposals for improvement that we have previously identified in relation to the Plan. The Council has attempted to make the Plan more user friendly but there remains in places an overreliance on technical terms that are unlikely to be widely understood; for example in the case of the care and well-being programme: 'roll out the implementation of the brokerage function'; and 'integrated menu of services across tiers'. The Council has correctly tried to simplify the way it describes each of its five improvement objectives to focus more closely on outcomes. However, actions are expressed only in broad terms and are not consistently set in the context of current levels of performance, making it difficult to judge the extent of improvement aimed at, or what the Council intends to do differently. Measures and targets are in place but few of these are expressed in terms of the difference the Council wants to make to the lives of citizens. More work is also needed to reflect appropriate actions and measures for the Council's regeneration programme in the Plan.

Over the past year, the Council has focused on putting project and programme management structures in place to support delivery of its improvement programme and monitor the progress it is making. The publication date of the Plan was brought forward to 1 March 2012 to fit with budget setting processes and ensure that improvement objectives are adequately resourced. The Council has also worked with partners to develop better tailored measures of success in respect of *One Powys* outcomes. More detailed information about the improvement programme is available in a range of monitoring documents that are reported to individual project boards. However, this information is primarily for the Council's own internal use and is not directly available to the public. The Council should do more to explain how the interested reader can access additional information or find out more. The Council has a comprehensive work plan for internal and external communications, tailoring messages to keep the plan interesting and relevant to different target audiences.

The Plan has been published in Welsh and English on the Council's website and will be promoted through a summary article in the Council's newsletter, *Red Kite*, which is distributed to all households. Hard copies of the Plan are available in libraries, customer service points and leisure centres and it has been widely promoted in the local press, social media sites and in staff magazine articles.

Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators, I am not yet able to conclude whether the Council is likely to comply with its requirement to make arrangements to secure continuous improvement during this financial year

I have reached this conclusion because the Council has made substantial progress in establishing appropriate arrangements in response to the statutory recommendations I made in my Annual Improvement Report, January 2012. More detail of the arrangements established by the Council is set out below.

However, it is too early for me to evaluate whether these arrangements are leading to improved service outcomes for the citizens of Powys, particularly in respect of services to vulnerable adults, where my own reports and those of CSSIW have identified that significant improvement is required. Achieving improvement in the service outcomes will depend upon strong and determined leadership, the commitment and dedication of capable social services staff, and the able support and challenge of corporate improvement teams and political scrutiny – the arrangements will not deliver improvement in themselves.

I will consider the Council's self-assessment of the performance of its adult social services together with the views of CSSIW in order to evaluate whether the Council's improved arrangements have led to sufficiently improved service outcomes. I will report my findings and conclusions in my Annual Improvement Report, to be published by the end of March 2013.

The Council has approved and is monitoring the implementation of a Business Plan designed to improve the performance of Adult Social Care Services

I made two statutory recommendations last year concerning the need to address poor performance in Adult Social Care Services, and the Council is well aware at both managerial and political levels that it needs to provide clear evidence that service improvement has been achieved during 2012.

The Council is actively exploring opportunities to build capacity and improve efficiency/ effectiveness through collaboration. The Director of Social Services is currently a shared post with Ceredigion County Council, while both Councils conduct a feasibility study into the potential benefits of working in collaboration.

The Council has been receptive to our findings and conclusions, and has invested significantly in redesigning its Adult Social Care Business Plan and supporting its delivery with robust project management arrangements. The Council commissioned PriceWaterhouseCoopers (PWC) to assist in this work which incorporated the full engagement of Social Care staff at all levels in designing and delivering the new improvement agenda.

Following its approval of the new Business Plan, the Council set up an Adult Social Care Service Programme Board in March 2012, chaired by the Portfolio Lead and including senior staff representatives from across the Council. The role of the Board has been to monitor and challenge progress and delivery of the various projects set out within the Business Plan, and it has been open and transparent in inviting my staff and those of CSSIW to observe the business of the Board. The Council also appointed an interim Head of the Adult Social Care Service who, together with the Director, are providing clear leadership and direction for service managers and staff; and valuable support and assurance for the business of the Board.

A number of the Phase 1 projects are complete, or nearing completion and the Board recognises that it is an appropriate time for it to evaluate whether or not the desired outcomes are being achieved.

The Council has made progress in addressing the immediate skills gaps needed to deliver its improvement priorities. Work is underway to create workforce plans and further up-skill staff in the short to medium term. However, there are risks that the Council needs to manage proactively to ensure staff have manageable workloads and deliver key improvement projects in a timely manner.

In my Corporate Assessment Update Letter 2011 and my Annual Improvement Report 2012, I recommended that the Council 'establish more rigour and consistency in its arrangements to profile human resource requirements across its project portfolio to ensure that it has sufficient capacity and capability to deliver its improvement objectives'. In response, the Council undertook a mapping exercise to identify the corporate support service requirements for all of its improvement priority projects. With the exception of school modernisation, all Phase 1 projects have now been resourced. Work is underway to ensure full resourcing of the remaining projects.

The mapping also identified that although staff have been allocated to support project delivery, some officers were finding it increasingly difficult to deliver the project work alongside their day-to-day work. This is a tension and risk the Council needs to manage proactively, if it wants to ensure staff have manageable workloads, and projects are delivered in a timely manner.

The Council is including in its planning processes the identification of human resource requirements through:

- only commissioning new projects if they include an appropriate resources plan;
- developing service-based workforce plans over the next two years; and
- introducing a new staff appraisal system and personal development plans.

This work should strengthen the Council's ability to match resources and skills to the delivery of its improvement objectives in the medium term. However, the Council has a poor track record in delivering a comprehensive suite of meaningful workforce plans. This area of work has, and will continue to, require the full support of the Council's senior leadership team to minimise the risk of failure.

The Council has begun to up-skill sections of its workforce. The Directors have attended a coaching and mentoring course. The focus of this training is to develop further their skills in change management, and to begin to create within the Council a culture of developing people through coaching. Two cohorts of senior managers have attended a Leadership course, aimed at improving their staff leadership and change management skills.

The Chief Executive has recognised that there needs to be a fundamental change in behaviours that will shape cultural change to enable the Council to be successful in delivering its Change Plan. A consultancy firm has been engaged to inform and assist the Chief Executive and his new Cabinet in this work.

Work is underway to finalise descriptors for staff competencies and desired behaviours. The Council will need to ensure that staff appraisals, and learning and development, continues to be implemented at a suitable pace. Without this development of the

workforce, the Council may lack sufficient capacity and capability necessary to deliver its priorities in the future.

The Council has put in place affordable plans to improve services but is less able to demonstrate their impact on service delivery and in improved outcomes for citizens

The *Powys Change Plan 2012-15* sets out the Council's priorities relatively clearly and the Budget and Medium Term Financial Plan (MTFP) present a balanced financial picture over the short term, although it is less clear over the medium term. Consultation and engagement with citizens/service users in relation to Council objectives and budget priorities is somewhat dated. There is also scope to better integrate improvement and financial planning.

The Council is clear as to the impact of reduced public funding and has enhanced already robust budget-setting arrangements with a rolling four-year MTFP which identifies investment priorities and efficiency savings over the medium term. However, detail of how and where savings will be achieved is only provided for the next financial year. Beyond the purely financial effects, there is limited evidence available to demonstrate that the Council has assessed the potential impact of proposed savings or changes to services.

Progress monitoring and reporting arrangements in relation to budgetary control are robust at both officer and Cabinet levels. The Council has strengthened its business planning arrangements and is actively monitoring progress in relation to projects and actions, but there is considerable scope for more effective self-evaluation of whether planned outcomes are being achieved.

The Council's approach to managing secondary school budgets has been ineffective and a significant challenge remains if it is to curtail secondary school budget deficits in the short term and eliminate them in the longer term

Over the period 2006-07 to 2010-11, five of the Council's 13 secondary schools were running large surpluses and five were experiencing a pattern of significantly escalating deficits. At the end of 2011-12, there appears to have been some improvement in that four of the schools with a history of large surpluses are reported to have significantly reduced their cumulative surpluses and one school to have moved from deficit to surplus. However, there were still four secondary schools with unlicensed and increasing cumulative deficits.

Secondary school budgets have faced budget pressures through a combination of rising costs, falling school rolls and a diversion of funds by the Council, from Education to Children's Social Services. However, while these factors may have created some

difficulties they do not explain the extreme variation in the cumulative financial position of individual schools over the period.

Individual schools have achieved hugely varying budget outcomes. Some have run surpluses at a level that should have been a concern to the Council for some time while others have accrued very significant unlicensed deficits that should also have been a cause for concern. It appears that individual school management teams and/or boards of governors have either failed to recognise their responsibility for managing budgets or lacked the necessary commitment and financial management expertise.

The extent and duration of secondary school budget problems demonstrate the ineffectiveness of the Council's approach to this issue. The Council has failed to provide robust and timely challenge to those schools that have chosen to continue to run large deficits; failed to monitor whether or not schools that lack the relevant expertise are taking steps to acquire it; and in extreme cases has been slow to use the intervention powers available to it.

The Council has recognised that the situation with regard to secondary school budgets has reached a point that is unsustainable. The Council's recently revised approach to managing school funding appears appropriate but a significant challenge remains if it is to curtail deficits in the short term and eliminate them in the longer term.

The Council is continuing to refine its corporate systems for reporting its performance

Every council needs to have good information and use it well if it is to provide good services and make them even better. The Council is continuing to refine its corporate systems for reporting its performance and my staff will, in due course, audit these systems to assess how effective and reliable they are. In the meantime a mixture of National Strategic Indicators, Public Accountability Measures and Service Improvement Datasets were selected for audit. The measures selected are used by the Council to judge how well it is delivering its improvement objectives and whether it is making a difference for its citizens.

Of the six national strategic indicators audited, one indicator was qualified and three needed to be corrected due to errors. My staff have provided officers with detailed findings so that they can address the causes of those errors found. I will report further on the performance of services in my Annual Improvement Report.

The Council continues to make progress in addressing my previous proposals for improvement

I have previously reported a number of proposals for improvement and also noted some areas where we would undertake further work. Progress on these matters is described

in some detail in Appendix 1. Most of the Council's actions are ongoing, and my staff will continue to monitor and summarise the Council's progress in implementing them in my future reports. Further information about my findings in some of these areas is provided separately in interim updates to the Council where appropriate.

Further proposals for improvement

Some 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.

The Council's senior leadership team should:

P1 Monitor closely the development of service based workforce plans and the introduction of the new staff appraisal system and personal development plans to ensure these key projects are delivered successfully, and in a timely manner.

In relation to school budget deficits, the Council should:

P2 Consult upon the revised scheme for school funding and associated guidance.

P3 Consolidate the actions necessary to implement relevant recommendations contained in the internal audit, scrutiny and Estyn reports into one overall plan to avoid duplication and facilitate improved monitoring arrangements.

P4 Rigorously monitor progress in implementing actions and evaluate whether they are being effective in reducing school budget deficits and bringing the Council into full compliance with the School Funding (Wales) Regulations 2010.

Updates to the work plan and timetable

My Improvement Assessment Team will keep the Council informed of the detailed arrangements for the delivery of my assessment work.

The regularly updated work plan and timetable provides more detail on the work being delivered during this year's assessment and in particular how we will add value by focusing on jointly identified areas or services. The work plan and timetable takes account of my consultation with improvement authorities over my proposals for 2012-13 performance audit work. In particular, I shall be asking my Improvement Assessment

Team to consider during the year the reliance that we can place upon the self-assessment processes (including your review of governance in producing the Annual Governance Statement and your Annual Performance Report).

I shall comment on this approach in my Annual Improvement Report.

I am grateful to the Council for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Communities

Colin Davies, Manager

Justine Morgan, Performance Audit Lead

Appendix 1

Proposals for improvement	Progress
<p>P1 Review the terminology of improvement objectives and activities, and selected measures of success to ensure that they are both clearly expressed and capable of allowing local citizens to monitor the difference the Council is making to their lives.</p>	<p>The Council has still to address some of the proposals for improvement that I have previously identified in relation to the Plan. The Council has tried to simplify the way it describes each of its five improvement objectives to focus more closely on outcomes. But this has resulted in some descriptors no longer aligning with the actions the Council has identified to deliver them making it difficult to judge the extent of improvement aimed at, or what the Council intends to do differently.</p>
<p>P2 Develop a more co-ordinated corporate approach to public engagement to improve the extent to which engagement activity is consistently implemented and evaluated to ensure it is effective in improving services and outcomes for citizens.</p>	<p>A draft corporate framework has been prepared taking account of Participation Cymru's 'National Principles for Public Engagement in Wales'. This framework incorporates guidance for officers which should provide more consistency in the Council's engagement activity and highlights the need for effective evaluation.</p>
<p>P3 The leadership of the Council, political and managerial, should promote and secure a culture which requires an appropriately open and balanced self-assessment of corporate and service performance, and is more evaluative and realistic regarding the Council's progress in delivering its improvement objectives.</p>	<p>The Chief Executive has recognised that there needs to be a fundamental change in behaviours that will shape cultural change to enable the Council to be successful in delivering its Change Plan. He is working with the Council's new Leader and Cabinet to promote and secure the necessary cultural change. This year, the Council's self-assessment of performance is being scrutinised and evaluated by the management team over a series of meetings. The aim is to ensure that it represents a more balanced report of the Council's progress in delivering its improvement objectives. The Council is engaging the support of the WLGA to help develop arrangements for improved self-evaluation.</p> <p>I will continue to assess progress in this area and will report my findings in my Annual Improvement Report.</p>

Proposals for improvement	Progress
<p>P4 In assessing and reporting Council performance, ensure that there is sufficient appropriate data which demonstrates not only what and how much the Council does, but also the difference the Council is making in terms of outcomes for its citizens. Review the timing, audience and content of progress and performance reports to facilitate better informed decision making and robust challenge of service performance.</p>	<p>I will continue to monitor how the Council manages performance, in particular in relation to its improvement objectives, and will report my findings in my Annual Improvement Report.</p>
<p>P5 In rolling out new methods of collecting recyclable wastes and refuse across the county, the Council needs to scrutinise and challenge performance to ensure that these actions have the desired impacts of achieving the increasingly challenging recycling targets and of reducing the cost of waste services.</p>	<p>The Council has recognised that it needs to improve performance in relation to meeting increasingly challenging recycling targets and this is a project within the Climate Change programme, an improvement objective within the Change Plan. We are planning to undertake an assessment of progress and will report our findings in our Improvement Assessment Report later in the year.</p>
<p>P6 Implement arrangements to ensure that contracts issued to third parties that provide a service on the Council's behalf are robustly monitored, with appropriate quality assurance in place to:</p> <ul style="list-style-type: none"> • manage and mitigate risks; • evaluate the impact of the services; and • assess their value for money. <p>These arrangements should also ensure compliance with the Welsh Language Scheme.</p>	<p>The Council is reviewing its arrangements as part of its Commissioning and Procurement Strategy and its implementation is supported by PWC. The Council is seeking to set up a 'hub and spoke' operating model to support commissioning and procurement within the organisational structure. But the Programme Board took the decision in July 2012 to formally place the project on hold. The basis of this decision was to await progress on social care collaboration with Ceredigion County Council and the outcome of the Hay review, both of which the Board considered may impact on the organisational structure which the 'hub and spoke' model needs to support. We will continue to monitor progress of this project during the course of our work.</p>