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Ms Alison Ward
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| Date | 17 September 2012 |
| Our reference | 451A2012 |
| Your reference | |
| Tel No | |
| E-mail | |
| Pages | 1 of 10 |

Dear Alison

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 Torfaen County Borough 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 Local Government (Wales) Measure 2009 and has acted in accordance with Welsh Government guidance

I have reached this conclusion because my audit and assessment work found that the Council's Improvement Objectives and its annual improvement plan 'Our Forward Facing Plan for the Financial Year 2012-13: Delivering Corporate Plan 2', (the Plan) meet the requirements of the Measure. The Council has set out a clear rationale for selecting the areas it is focusing on improving, based on its current performance, the Council's Corporate Plan 2 (2011-16), stakeholder and partner views and recent consultation activity with citizens completed in November 2011. The Council has produced a Welsh language version of the Plan and provided summary versions on both its website and social media platforms such as Facebook and Twitter.

In 2011-12 we reported that the number of Improvement Objectives the Council set had increased from six to 25 and, due to the financial climate, the Council was proposing to review its Improvement Objectives to determine whether it could deliver all of them over the lifespan of its Corporate Plan 2. The Council has recently completed this review and for 2012-13 has prioritised improvement objectives relating to schools, social care and waste. For following years the Council has indicatively set its priorities, although these will be reviewed and confirmed annually. The Council has clearly stated what the Improvement Objectives aim to achieve in relation to the Council's priorities and has included broad details on the resources available, both revenue and capital, to support their delivery.

The link between the Improvement Objectives and accompanying measures of success, baseline data and targets for improvement are not consistently evidenced. Some links are very clear and show the intended impact of improvement, such as the Improvement Objective to ensure people receive the benefits they are entitled to. Here, the measures of success focus on benefit take up and reducing unemployment and it is clear what the Council is seeking to improve.

In other Improvement Objectives, the measures for assessing whether anyone is better off are not as detailed or effective. For example, the Improvement Objective to ensure learning for all children and young people is inclusive and accessible. Here the focus is on reducing the number of young people not in education, employment of training (NEETS), improving school attendance, reducing bullying and improving school transport. However, the measures to judge impact and demonstrate success do not always include data to judge the impact of actions in these areas. For example, there are no measures to judge whether all vulnerable children and young people are receiving appropriate transport to school. Likewise under the Improvement Objective to promote people's independence, key areas of service delivery which directly impact on the Objective, such as supporting

people¹, are not included at all. This means that it is not possible to gauge the outcome of the Council's work in delivering the Improvement Objective, or judge whether it is having a positive impact.

Delivery of the Improvement Objectives is underpinned by Service Improvement Plans (SIPs), which provide information on actions, measures of success and timescales to deliver the Objectives. The line of sight between the individual Improvement Objectives and the SIPs is generally good. For example, the Communities SIP is aligned with the relevant Objectives and broadly captures the actions and measures relating to its delivery. In a small number however, the alignment is neither as clear nor as robust. For instance, the Education SIP does not always clearly identify how activity contributes to the Council's strategic priorities or its underlying principles and themes. Overall, the Council has made good progress in refining its corporate planning arrangements and further work on addressing gaps such as these will further strengthen delivery.

The Equality Act 2010 (Statutory Duties)(Wales) Regulations 2011 (the Act) set out specific requirements for local authorities in Wales. They are required to develop and publish Equality Objectives and a Strategic Equality Plan by 2 April 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must pay consideration to in setting improvement objectives under the Measure. The Council's 'Our Forward Facing Plan for the Financial Year 2012-13: Delivering Corporate Plan 2' includes some information on the Council's equality impact assessment work, particularly in relation to budget setting, and the Council's 'Equality Promise', which sets out how the Council is prioritising services to those people (on the basis of protected characteristics) who are most vulnerable to disadvantage and inequality. We believe the Council has met the requirements of the Act in setting its Improvement Objectives.

Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators, I believe that 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 progress in addressing most of the areas for improvement we identified and has good systems in place to coordinate and manage the findings and outcomes of our work.

¹ Supporting People is the Welsh Government's policy and funding stream for housing related support for vulnerable people. People who may get support include elderly people in sheltered accommodation; women fleeing domestic abuse; and young people leaving care. The focus is on services and support to enable vulnerable people to live independently.

Overall, the Council has made progress against most of the proposals for improvement made in my earlier Corporate Assessment and Annual Improvement Reports, which are set out in Appendix 1. For example, the Council has recently completed a major review of scrutiny activity and member support working in partnership with the Welsh Local Government Association and recently adopted its first formal Medium Term Financial Plan (MTFP) document. Work now needs to focus on further strengthening these arrangements and improving other areas such as the development of robust outcome measures and setting of service standards.

The Council has established appropriate systems to report the findings of our work and to manage delivery of areas for improvement and recommendations arising from this work. A Corporate Improvement Single Action Plan, which draws together the findings of our Corporate Assessment and Annual Improvement Work, is used to co-ordinate how services are addressing our conclusions and is monitored by the Council's Audit Committee. We also found that both the Cabinet and Audit Committee have received our Corporate Assessment and Annual Improvement Reports. This allows Members to assess how the Council is performing and consider an independent view of the Council's approach to deliver improvement for its citizens.

Implementation of the proposals for improvement arising from our recent service based reviews is generally managed within services through the Council's SIP process. To trace the delivery of these proposals for improvement, we have undertaken a stock take on progress in addressing the proposals for improvement of our Technology Review, which was reported to the Council in September 2011. We found that the proposals for improvement identified are either being implemented or there are plans in place to implement them and the Council has established appropriate arrangements to manage, monitor, evaluate and scrutinise this work to ensure our proposals for improvement are implemented effectively.

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

Corporate arrangements for coordinating and reporting performance remain effective but some systems for managing performance within services are not robust.

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 has well-established corporate systems using Ffynnon² for reporting its performance and we have recently audited these systems

² Ffynnon is a nationally procured software solution to meet the performance management requirements of Welsh local authorities, fire and rescue services, national park authorities and their partners.

to assess how effective and reliable these arrangements are. The measures we selected for audit are a mixture of National Strategic Indicators, Public Accountability Measures, Service Improvement Datasets, and local measures developed by the Council. All those audited are measures the Council uses to judge how well it is delivering its Improvement Objectives and whether it is making a difference for its citizens.

We found that of the 23 measures audited, two local indicators had to be qualified and one needed to be corrected due to errors. The Council should ensure that it has clearly defined each of its local indicators, which will enable it to consistently and accurately record and report performance within services. We will report on the performance of services in our Annual Improvement Report.

The Council has a good track record of managing budgets and is currently developing service level funding to support delivery of corporate priorities. Capital investment remains challenging and further work on analysing service demands and needs, and measuring the impact of budget decisions, will strengthen both decision making and service delivery.

The Council has good arrangements in place for setting and managing budgets. Regular and routine financial information is produced that shows performance on both revenue and capital expenditure, which enables an identification of underspends/overspends and current performance by services in their use of resources. This is reported at various levels and to members on a quarterly basis. There has been strong member engagement in decisions on prioritising the Council's Improvement Objectives and in how resources are used to support delivery of priorities.

The Council continues to focus on its priorities, whilst seeking to maintain stability in frontline service delivery and to avoid compulsory redundancies. To achieve this, whilst setting a balanced budget, the Council has needed to use an element of corporate reserves and consider alternative ways of delivering services. Significant work has been undertaken on shared services and collaboration with neighbouring councils and other public sector bodies, such as the Gwent-wide school improvement service.

The Council has recently adopted its first formal medium term financial plan (MTFP) and has identified, as a worst case scenario, a potential funding shortfall of £29.605 million over the next three years (£11.203 million in 2013-14; £9.617 million in 2014-15; and £8.785 million in 2015-16). An indicative 'Funding Plan' has been established, which outlines a series of targets aimed at reducing expenditure and/or revising financial forecasts down so they fall within the potential funding envelope that is likely to be available to the Council. The broad Funding Plan is to be developed into a series of specific actions and measures to deliver the savings and reductions in expenditure required to balance budgets. The Council plans to keep its MTFP under review over the coming months, and further revisions to the Funding Plan are expected once detailed actions have been developed.

On capital funding, the Council faces greater challenges with expenditure expected to be significantly below what is required to deliver all the Council's capital investment priorities. The Council's forward capital programme predicts an investment of £35.652 million over the next three years (£10.762 million in 2013-14; £12.227 million in 2014-15; and £12.663 million in 2015-16). The Council currently uses unsupported borrowing³ of £21.65 million to fund capital expenditure and is proposing to borrow an additional £10.1 million via this means to fund its 21st Century schools programme. The Council has also been allocated £1.1 million prudential borrowing under the Welsh Government highways initiative.

Limited work has been undertaken on assessing the financial impact of demographic change, primarily because medium term needs and demand information is not well developed and readily available. The Council could strengthen the MTFP process with the inclusion of better information on demand and need. The MTFP includes some cost pressures within services but these are generally short term. The Council has recently collated information at a headline level to show the impact of budget decisions and changes resulting from service reviews. For example, the impacts of the roll out of the Gwent Frailty programme (GFP). However, the effect on citizens of reductions in expenditure and changes in how services are delivered, in some other areas, is not always apparent. These are areas in which the Council is proposing to strengthen its service planning and budget setting arrangements in 2012-13.

Partners are strongly committed to the Gwent Frailty programme vision and have created a sound programme management framework to underpin it. Gwent Frailty is in the early stages of implementation and challenges remain to ensure it is sustainable, to change established behaviours and to demonstrate its impact.

From April 2011 Aneurin Bevan Health Board and Blaenau Gwent, Caerphilly, Monmouth, Newport and Torfaen Councils began implementing an ambitious integrated model of health and social care called the Gwent Frailty Programme (GFP). The GFP has legal status under a Section 33 Partnership agreement between the Health Board and the five local authorities and is supported with £6.9 million of Invest to Save Funding from the Welsh Government. The GFP's aims have significant relevance to the way in which the public sector bodies involved use their resources and are central to the delivery of improvement priorities at all agencies involved.

The Wales Audit Office undertook an initial review of the arrangements for GFP implementation, focused on providing early assurance in relation to governance arrangements and direction of travel towards achieving intended aims and outcomes, rather than an evaluation of success. We concluded that Partners are strongly committed to the GFP vision and have created a sound programme management framework to

³ Loans taken out by a Council that it has to pay back from its own budget

underpin it. The GFP is in the early stages of implementation and challenges remain to ensure it is sustainable, to change established behaviours and to demonstrate its impact.

Further proposals for improvement/recommendations

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.

Proposals for Improvement – Improvement Planning

P1 Ensure all Improvement Objectives reflect and include the full range of relevant services, measures and actions that will enable the Council to assess whether positive outcomes are being achieved for citizens.

Proposals for Improvement – Medium Term Financial Planning

P2 Improve the quality of information used to underpin key medium term financial planning assumptions and identify the likely financial impact of increasing demand for services and changing demographics.

P3 Develop the funding plans, alongside refining and developing the MTFP, showing how the predicted financial deficits will be addressed and how service based pressures will be managed going forward.

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.

Our agreed work to evaluate what progress the Council has made in the areas of collaboration and service based impact assessments of reduction in budgets and resources will be completed prior to our next Annual Improvement Report. We will also examine the Council's performance against its Improvement Objectives and review how it has self-assessed and reported its performance. I will also report conclusions from the work of other regulators.

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

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas'.

HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Carl Sargeant, Minister for Local Government and Communities

Non Jenkins, Regional Manager

Nick Selwyn, Performance Audit Lead

Appendix 1

| Proposals for improvement | Progress |
|---|---|
| <p>1. Evaluate and report on the impact of reduced budgets on frontline services to identify and deal with risks that emerge from investment decisions.</p> | <p>The Council has recently adopted its first formal MTFP and has identified a predicted funding shortfall for the period 2013-14 to 2015-16. This plan models a worst-case scenario and has highlighted a potential shortfall over the three years of £11.203 million in 2013-14; £9.617 million in 2014-15; and £8.785 million in 2015-16. An indicative 'Funding Plan' has been established which outlines a series of targets aimed at reducing expenditure and/or revising financial forecasts down so they fall within the funding envelope that is likely to be available to the Council. The one area where the process could be strengthened is a clearer analysis and focuses on future demand and need. This has not been done in most areas.</p> <p>We are planning to undertake a service based impact assessment of reduction in budgets and resources and will report our findings in our Improvement Assessment Report. This review will identify and assess the impact of revenue, capital and human resource reductions on services and evaluate whether the Council is continuing to manage to deliver its statutory obligations and improvement objectives effectively.</p> |
| <p>2. Continue to address the proposals and actions for improvement identified in previous external audit and regulation reports.</p> | <p>The Council has made progress in addressing the proposals and actions for improvement and further planned work through the consolidated Corporate Improvement Single Action Plan is being delivered. We will continue to monitor the Council's progress in delivering the Corporate Recovery Programme and will judge the impact of the work in our local work and Annual Improvement Report.</p> |
| <p>3. Establish clear success measures for all objectives and support the effective monitoring of performance through regular, clear reporting of outcomes.</p> | <p>A consistent framework is used to set out the Improvement Objectives in the Forward Facing Plan. This includes:</p> <ul style="list-style-type: none"> • broad statement identifying what the Council is expecting to see improve over the life of CP2; • shared outcome indicators to help demonstrate progress in delivering the outcome; • key activities for delivery in 2012-13; and • key performance measures to judge success. <p>Some of the Improvement Objectives are broad and it is clear what citizens can expect to see improve. In others the link between the Improvement Objectives and accompanying measures of success, baseline data and targets for improvement are not consistently evidenced. We will continue to monitor how the Council manages performance, in particular in relation to its Improvement Objectives and will report our findings in our Annual Improvement Report.</p> |

| Proposals for improvement | Progress |
|--|---|
| 4. Improve self-assessment arrangements and performance reporting | The Council has published its Forward Facing Plan in English and Welsh and is improving the level of information it provides bilingually. We will continue to monitor how the Council delivers its strategic Welsh language commitments and will summarise the key conclusions of the Welsh Language Board annual monitoring report in in our Annual Improvement Report. |
| 5. Put training in place to support inexperienced members to effectively discharge their remit. | The Council has recently completed a major review of scrutiny activity and member support, working in partnership with the Welsh Local Government Association. This review has focussed on strengthening member support and equipping all councillors to undertake their responsibilities and duties more effectively. We are planning to undertake an all Wales local study on scrutiny in the autumn of 2012 and will report our findings in our Improvement Assessment Report. |
| 6. Improve information on unit costs, activity costs, benchmarks and other financial performance measures to help make more informed financial decisions. | The Council has undertaken limited work on benchmarking and comparing costs. Rather, the Council has sought to improve its financial planning and value for money analysis through its MTFP. This allows the Council to update both current performance and the underlying assumptions that impact on making better use of the money it has available. |
| 7. Identify minimum service standards for all service areas against which performance can be monitored. | The Council has undertaken some work on identifying and setting service standards but this has not progressed significantly in all areas. We are planning to undertake an assessment of service standards and will report our findings in our Improvement Assessment Report. |
| 8. Ensure there are robust and effective governance arrangements in place when creating integrated services and collaborations, which are subject to regular evaluation of their impact. | <p>Our review of Gwent Frailty found that the governance arrangements appear to be sound and working effectively. Specialist legal advisors and consultants gave assistance to draw-up the Section 33 agreement which sets out the partners' respective accountabilities. The Frailty Joint Committee (FJC) is constituted under the Section 33 agreement as a formal decision-making body with representatives from each partner. All partners have equal representation on the FJC. The Section 33 agreement also enables Gwent Frailty to establish a pooled budget and we found arrangements for nominated leads to manage areas such as finance and human resources are working well.</p> <p>We are planning to undertake a collaboration governance risk review which will identify and map out the level of collaboration taking place within the Council and risk assess the effectiveness of governance arrangements in setting up collaborative ventures. In particular we will focus on assessing whether anticipated benefits from collaboration are being realised and improvement in the range and quality of services maintained and enhanced and will report our findings in Annual Improvement Report.</p> |