



WALES **AUDIT** OFFICE  
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# **Blaenau Gwent County Borough Council**

## **Report by the Auditor General for Wales**

### **Preliminary Corporate Assessment – September 2010**



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Image courtesy of Blaenau Gwent County Borough Council.

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**The Council can point to some necessary improvements but is yet to develop the coherent strategic approach needed to address the major challenges ahead.**

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# Contents

Summary	4
Part 1: How the Council has approached improvement over time	6
<b>The Council has responded to poor performance in key service areas but recognises that it still faces many significant challenges</b>	<b>6</b>
In the past, a lack of clear priorities led to resources being spread thinly and the approach to improvement was reactive	6
More recently, there has been much-needed progress in major services but a strategic approach to driving improvement is not yet consistently applied throughout the Council	7
Now, the Council has demonstrated its willingness to tackle difficult issues, has taken some significant decisions and is also making changes to its corporate structure, linked to achieving cost savings	7
Part 2: Analysis of the Council's arrangements to help it improve	9
<b>Despite some strengths in corporate arrangements, the Council's strategic leadership has not yet focused sufficiently upon priorities in order to respond to the scale of the predicted financial cuts</b>	<b>9</b>
A track record of accessing external funding and aspects of partnership working are positively supporting improvement	9
Some arrangements for engaging communities and for managing people, resources and performance are effective but there are weaknesses in medium-term planning	10
The Council's strategic leadership is yet to agree the clear corporate focus necessary to achieve the scale and pace of change needed	16

## Summary

- 1 The Auditor General is required by the Local Government (Wales) Measure (2009) (the Measure) to undertake an annual Improvement Assessment for each improvement authority in Wales; that is local councils, national parks, and fire and rescue authorities.
- 2 In order to fulfil this requirement, the Wales Audit Office will undertake:
  - a Corporate Assessment – an assessment of an authority’s arrangements to secure continuous improvement; and
  - a Performance Assessment – an assessment of whether an authority has achieved its planned improvements.
- 3 The approach is designed to enable a whole organisation assessment at each council/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 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), Chartered Institute of Public Finance and Accountancy and Society of Local Authority Chief Executives. In evidence to National Assembly for Wales Public Accounts Committee in June 2010, the WLGA noted ‘there is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone’. To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for increasing procuring rather than providing services and working in collaboration. This Corporate Assessment has been prepared in this context.
- 6 The report sets out the findings of the Corporate Assessment only and is designed to answer the question:  
  
‘Are Blaenau Gwent County Borough Council’s (the Council) arrangements likely to secure continuous improvement?’
- 7 The conclusion arising from our first Corporate Assessment is that **the Council can point to some necessary improvements but is yet to develop the coherent strategic approach needed to address the major challenges ahead.**



**8** 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:

- the Council has responded to poor performance in key service areas but recognises that it still faces many significant challenges; and
- despite some strengths in corporate arrangements, the Council's strategic leadership has not yet focused sufficiently upon priorities in order to respond to the scale of the predicted financial cuts.

**9** Where the Council's arrangements to secure improvement are developing, we will continue to monitor progress, and where necessary, will provide an update in our Annual Improvement Report to be issued in November.

**10** As this is a Preliminary Corporate Assessment, there are areas where only limited work has been possible, and so we have drawn upon existing information sources. Where appropriate, our next Corporate Assessment in 2011 will be informed by more work in these areas.

## Areas for Improvement

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

### Exhibit 1: Areas for improvement

P1 Develop clear priorities that contribute to achieving the Council's vision, supported by a strategic framework, including strategies for medium-term financial planning, workforce planning, ICT and asset management.

P2 Ensure the Corporate Improvement Plan (CIP) builds on public and stakeholder engagement in priority setting and the Council demonstrates community leadership to manage citizens' expectations in a context of reductions in public funding.

P3 Develop an approach to challenging the value for money and sustainability of existing patterns and methods of service provision across all services and apply it consistently.

P4 Train and support the Audit Committee so that it can effectively discharge its remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions.

P5 Prepare the Code of Governance, setting out the Council's governance principles and arrangements and which should have been in place at 1 April 2010, as a matter of urgency.

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

### The Council has responded to poor performance in key service areas but recognises that it still faces many significant challenges

**In the past, a lack of clear priorities led to resources being spread thinly and the approach to improvement was reactive**

**12** The Council serves an area which presents many significant challenges to public services. The county borough has a population of approximately 70,000 people, which has declined but is forecast to stabilise. The age profile is currently similar to the Welsh average but the proportion of elderly people is increasing. The demise of traditional steel and coal industries has left the county borough with the highest unemployment levels in Wales. The number of job seekers allowance claimants has doubled in the last five years. Levels of social and economic deprivation and poor health are amongst the worst in Wales. School attainment and levels of qualification amongst working-age adults are the worst in Wales. Rates for cleanliness of highways and relevant land, waste recycling and landfill are amongst the worst in Wales.

**13** Partly because of these challenges, external funding per head of population is the highest in Wales. In 2009-10, the Council received an Assembly Government settlement representing a 1.7 per cent increase on the previous year, compared with a Welsh average of 2.5 per cent, and set a revenue budget of £130 million including £53.199 million for Education and £33.137 million for Social Services. The Council has an annual capital programme of approximately £5.5 million and has been successful in attracting additional external capital grants of between £50 million and £80 million per year.

**14** In the past, faced with complex community needs that create high levels of demand for services, the Council struggled to develop a clear and coherent vision for the county borough's future and to identify improvement priorities. It now has a vision but without clear priorities it has tried to do too much and has spread resources thinly, leading to financial pressures within services. This situation contributed to a focus upon budgets rather than outcomes for citizens and an approach to improvement that was largely reactive rather than driven by a clear direction. Frequently, instead of being internally driven, this approach was either in response to critical reports from regulators or linked to the availability of external funding and initiatives.



**More recently, there has been much-needed progress in major services but a strategic approach to driving improvement is not yet consistently applied throughout the Council**

**15** In November 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council. Key issues for the Council at this time were:

- 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 was facing financial pressures that would require robust management and did not have a medium-term financial plan.
- The Council's 2009-10 CIP met statutory requirements and provided a balanced view of its performance in 2008-09.
- The overall governance of the Council had improved over the previous few years, and whilst starting from a low base, significant improvements had been made in Children's Services. Reviews indicated improvement in major service areas and the need to strengthen some corporate arrangements to meet the Council's objective of being consistently citizen-focused and better equipped to meet future challenges:
  - service reviews revealed improvement in the services provided to children and young people; and

- reviews of corporate arrangements revealed that while there was progress in some areas, further improvement was required to provide a consistent level of citizen focus and equip the Council to meet future challenges.

**Now, the Council has demonstrated its willingness to tackle difficult issues, has taken some significant decisions and is also making changes to its corporate structure, linked to achieving cost savings**

- 16** Politically, the Council's current administration is a coalition of Independent, People's Voice and Liberal Democrat councillors. It gained power for the first time at the elections in 2008, following consecutive Labour administrations since 1996. The administration has demonstrated its willingness to tackle difficult issues and has made some significant and politically sensitive decisions that will support improvements in relation to the Council's strategic themes. In particular, the Council has decided to rationalise schools, transfer housing stock, selectively switch off street lights and also move to fortnightly residual waste collection.
- 17** The Council currently has a workforce of just over 4,000 employees, organised across four directorates. Recently, two long-serving directors have retired and temporary management arrangements are currently in place. The Council has just agreed to reorganise the senior management structure, following a report from an external consultant and proposals from the Chief Executive which set out guiding principles for restructuring. There will be some changes in the services within

directorates but the number of directorates will remain unchanged, covering Social Services, Education and Leisure, Environment and Regeneration, and Resources, supported by a Strategic Business Unit. The new structure is intended to encourage reviews of service delivery patterns, better align with priorities, produce cost savings and strengthen management of capital projects.

**18** At present, the impact of the proposed changes upon citizens is unclear because service delivery arrangements will be reviewed within each of the directorates, in line with agreed principles, following implementation of the senior management structure. One of the directors, for Education and Leisure, has just been appointed and the other, for Social Services, is to be appointed shortly.

**19** The Education and Leisure Directorate is developing a three-year strategic plan for transforming education for all pupils and learners in the area. This plan aims to improve pupil attainment, performance management, schools budgetary control and education support services and reduce surplus places. The plan also aims to develop schools infrastructure and support the significant capital project being undertaken on the former steelworks site. This includes a school for 3 to 16 year olds, a special education needs school, an integrated children's centre, leisure facilities and a further education campus that will re-engineer post-16 education. The proposals have the backing of the Executive and are being consulted upon before being put to Council. At present, the proposals for the education provision will be subject to detailed consultation and publication of relevant statutory notices.

**20** The Measure requires Welsh local authorities to make arrangements to secure continuous improvement and to account for it. This involves publishing plans for improvement that include improvement objectives. Initially, because 2010 is a transitional year and all of the requirements of the Measure do not come into force until 2011, the Council had considered refreshing the strategic objectives in the current Corporate Plan and treating them as improvement objectives. Now, after further consideration, the Council is refining its approach to improvement and is developing a set of improvement objectives that are linked to the Council's existing objectives and the draft Community Plan, produced with local strategic partners. The objectives the Council is currently developing should be more explicit in relation to delivering identifiable improvements for citizens and more clearly evidenced with performance information than would have been the case if the Council had relied upon refreshing its existing strategic objectives.





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

### Despite some strengths in corporate arrangements, the Council's strategic leadership has not yet focused sufficiently upon priorities in order to respond to the scale of the predicted financial cuts

#### A track record of accessing external funding and aspects of partnership working are positively supporting improvement

**21** There is clear leadership of the regeneration agenda from senior management, including the Chief Executive, and elected members. The Council has a good track record of securing external public funding for major regeneration, which is a priority for it. External funding from the Assembly Government's Heads of the Valleys Initiative supported re-establishing a rail link to Cardiff and regenerating the site of the former steel works in Ebbw Vale ('the Works'). This project involves considerable partnership working and will include a new hospital, leisure facilities, a relevant school provision and a post-16 Learning Zone. Delivering this project successfully has potential to realise significant community benefits linked to physical, economic and social regeneration but also represents a major risk for the Council because of the demands a

project of this scale and complexity places upon it. The Council's high degree of dependence upon external finance is a more general risk, common to other councils in a climate of reductions in public funding, which the Council is seeking to mitigate.

**22** Capital regeneration projects are a significant area of partnership working. For these, the Council has a strategic framework that links together principles, priorities and action plans. However, this good practice is not applied to all partnership projects consistently. Although key strategic partnerships have agreed terms of reference and action plans and governance arrangements are in place for the Local Service Board (LSB), initial assessment of potential partnership improvement projects, progress monitoring and outcome evaluation are not always undertaken systematically, thoroughly and with reference to the Council's overall priorities. To improve this, the Council is developing a corporate partnerships risk management approach and developing new plans which it is seeking to align to the Community Strategy.

**23** Nevertheless, the Council delivers a range of improvement projects through partnership working and individual directorates participate actively in a range of strategic partnerships and arrangements for operational joint working which are intended to change the ways in which services are delivered such as the Gwent Frailty Project and extra care housing.

- 24** Commitment to working with local and regional partners is also evident across a range of services and functions even though progress has not been smooth or easy and many of these arrangements have yet to deliver real benefits. The Council is actively involved in the LSB which is still developing and will be entering into outcome agreements with the Assembly Government to deliver key outcomes shared with LSB partners. Following the demise of the South East Wales Shared Services Project, the Council is starting to explore other ways of collaborating with neighbouring authorities and public bodies to identify capacity and capability across organisations and secure efficiencies in internal services. The Council is involved in a regional consortium of local authorities which is developing options for dealing with waste. In addition, the Council worked closely with a range of public and private partner organisations to host the 2010 National Eisteddfod.
- 25** We will undertake further work around partnerships, and in particular, with the LSB and with Health as part of our ongoing Improvement Assessment work with the Council.

**Some arrangements for engaging communities and for managing people, resources and performance are effective but there are weaknesses in medium-term planning**

**The Council is updating its Community Strategy and is making progress towards greater engagement with its communities**

- 26** Public services need to find ways of enabling citizens to have a meaningful say on things that matter to them whilst managing those citizens' expectations on what is possible with finite resources. The Council is improving the way it engages with its communities and other stakeholders, and is currently producing a citizen focus strategy and working with the LSB to produce the consultation draft of its Community Strategy. The draft strategy contains seven key themes, supported by key projects. To support this process, it has undertaken a range of activities including a joint survey of residents and held stakeholder workshops. These were well-received and generated useful information in relation to satisfaction with public services and what residents regard as important, which has helped to inform the draft Community Strategy 2010-2030.



**27** The Community Safety Partnership, in which the Council is involved, has introduced participatory budgeting. This is an innovative pilot scheme that allows stakeholders to make direct funding decisions in relation to an identified sum of £30,000 after considering competing bids and options. The scheme has been very well-received by those involved and may provide useful lessons in relation to community engagement in wider funding and budgeting issues.

**28** There are other examples of successful engagement which have proved useful in identifying areas for improvement. These include joint consultation exercises and forums such as Connect to Business, Youth Forum, Access to All Forum, town centre forums, local planning and consultation on streetscape schemes, schools transformation, care home closures, recession impact workshops and 'have your say' events.

**29** The recent residents' survey identified a number of key priorities raised by citizens such as more affordable housing, highways condition and improved environment, which are priorities for the Council and are now reflected in the Council's CIP. However, the Council has not consistently made best use of information on service users' experiences, gathered via the C2BG contact centre, to improve services but is planning to do this in future.

**30** The Council is now drafting its CIP. This plan will reflect the Community Strategy themes but also needs to consider:

- how the Council will manage the impact of reductions in public funding;
- how the community will be engaged in setting priorities in order to manage citizens' expectations; and

- how community engagement will support the Council to make and implement potentially difficult and unpopular decisions.

### **The Council is taking steps to improve the way it manages people and some key processes are being strengthened**

**31** The Council developed a People Strategy for the four-year period 2004-2008 which represented an ambitious programme. It made progress in a number of areas, including sickness absence which reduced by a day and a half per full-time equivalent member of staff for 2008-09 with a further reduction of over half a day for 2009-10. This decrease is the second largest reduction in absence levels in Wales and represents a 37 per cent reduction in the gap between levels of sickness absence in the Council and that of the best performing authority in 2007-08.

**32** In 2006, the Council was the first in Wales to gain Council-wide Investors In People (IIP) accreditation, a quality framework that assesses how well an organisation leads, develops and utilises its employees to achieve business objectives. The Council has recently been re-assessed and re-accredited. The process identified strengths and areas for further development. Strengths included consultation and involvement, 360 degree feedback and coaching at senior levels and pockets of excellent management behaviour. Areas for further development to be addressed as part of the process of developing a new People Strategy included developing a clearer vision for leadership and management, improving the consistency of management attitudes and behaviours, tackling poor performance and developing a learning culture.

- 33** A number of major work programmes impact upon the number and nature of skills the Council will require in the future. Regeneration project management, housing stock transfer, schools and social care modernisation and agile working are initiatives which are likely to lead to overcapacity in some services and skills shortages in others. The Council recognises the need to address future staffing issues and has aligned Human Resources (HR) staff with departments to better support individual departmental initiatives. But at present, the Council does not have a current HR strategy or a workforce plan although elements of these are being progressed. Within Social Services, a Workforce Development Team is undertaking a range of workforce planning initiatives. These include the Social Care Workforce Development Plan and Partnership, supporting people to undertake professional qualifications, monitoring vacancy rates and projecting how best to meet demand.
- 34** The Council has recently started to develop a workforce strategy to ensure that it has the capacity and capability to meet its expected needs. The Council is currently mapping staff retirement dates to identify potential shortfalls in staffing, vacant posts are frozen to meet budget targets and all vacancies are discussed at CMT and require approval to be filled. Planned downsizing over a three-year period involves reductions of 12 per cent of senior staff, 7.5 per cent of professional posts and 4.5 per cent of operational staff.
- 35** The Council recognises that to support improvement, it needs to make better use of its staff, move away from traditional hierarchical line management structures and encourage greater flexibility and responsibility. The Council is trying to encourage changes in attitude that will support more flexible working through increased use of 360 degree feedback and developing competencies, together with technical skills. The Council has developed a competency framework and a performance development review system linked to it. However, staff at lower levels have not yet received training to support consistent implementation, and there is some resistance to the initiative.
- 36** Some people are embracing change but the pace and extent of culture change has been limited. Ownership of initiatives has been patchy and feedback on them has been mixed because many people are still accustomed to working within a hierarchy and remain suspicious of empowerment and flexibility. However, the Council has recently used innovative approaches to challenge these ways of thinking. These projects report significant improvements in service performance and job satisfaction as a result of changed attitudes.



**The Council is achieving efficiencies within services but approaches to managing resources are not yet co-ordinated or aligned with delivering longer-term improvement priorities**

**37** Annual planning and revenue budgeting cycles arising from external funding patterns do not help the Council to respond to pressures on financial resources arising from local pressures and the general financial climate. These need long-term initiatives and resource shifts supported by realistic longer-term financial planning. The Auditor General's Annual Audit Letter for 2006-07 recommended that the Council should produce a medium-term financial plan and the absence of one has been highlighted in subsequent audit letters.

**38** In the absence of this framework being complete, some services are undertaking medium-term financial planning themselves and some plans are in place for capital investment, staff downsizing and funding housing stock transfer. In Social Services, planning work to modernise services for older people is informed by projections of demand pressures and available funds. However, in other areas such as highways, the approach to funding is still more reactive, although a Highways Asset Management Plan is being developed. The Council is in the early stages of developing a financial strategy for the next three years, covering all services and functions.

**39** The Council's approach to achieving efficiencies yielded a reported £5.86 million between 2005-06 and 2008-09. The target for the next three years is £10 million. Identified savings from holding vacant posts and reducing budgets are projected to enable the Council to balance its budget to the end of 2010-11. But, the Council does not expect efficiencies alone to enable it to respond to existing identified financial pressures such as equal pay and job evaluation, condition of assets and deficit in its pension fund, and so is taking other steps to address these. Recognition that significant funding would be required to meet the housing quality standard led it to decide to transfer its housing stock to Tai Calon, a housing association which will fund £111 million of improvements over five years. However, there are a range of non-statutory services that are currently not providing value for money, where continuing with existing service processes and patterns of provision is likely to become financially unsustainable in the face of future pressures. The Council should review them in the context of its medium-term financial plan.

- 40** The Council agreed a balanced budget and has a good record of budgetary control. Revenue budgets are delegated and managers are held responsible for meeting them. At the end of the third quarter of 2009-10, there were forecast overspends in several areas, totalling £558,106, representing 0.44 per cent of total revenue budget. Bids for funding from directorate reserves to cover shortfalls due to service pressures are subjected to challenge. Regeneration and Highways sought £280,000 but this was turned down. Although Regeneration and Highways predicts a budget overspend, there have been delays in spending some grant funding from the Assembly Government for highways improvements and repairs due to circumstances beyond the Council's control. Social Services projected an overspend of £550,000 but implemented actions that have reduced it to a small underspend. Provisional end-of-year figures indicate that the overall overspend will be less than was forecast at the end of the third quarter.
- 41** Although the Council is successful in accessing external capital funding for large regeneration projects, it faces significant financial pressures in relation to its physical assets and infrastructure. Because the Council lacks detailed information on the condition of its assets and does not have a strategy for managing them, a greater proportion of expenditure on maintenance is reactive than planned, which does not represent good practice. In relation to highways maintenance and improvement, there is a £25 million backlog in repairs and insufficient annual budget to manage improvements. In response to this, the Council has approved £1 million of invest to save prudential borrowing for immediate highways works with revenue costs met from the insurance claims budget. The Council has also used £600,000 of prudential borrowing to upgrade streetlights so that they can be switched off selectively. This borrowing will be repaid through the resulting energy savings.
- 42** The Council wants to use technology to help it re-engineer how it delivers services and change the way people work. However, the Council has not identified the resources and capacity required to support, develop and maintain effective ICT. It does not have an agreed ICT strategy, there are problems with data security and the Council's workforce will require skills training to support service transformation. Although at a corporate level the Council has used external funding and collaborative procurement arrangements to good effect, within services, ICT decisions are taken based on the availability of funding within their budgets rather than an agreed corporate approach. Initiatives have not always had defined objectives, projects are not consistently formally managed and criteria for evaluating them are not agreed in advance. The Council should actively pursue options for partnership working to support development of ICT infrastructure and skills.



**Systems for managing projects, performance and risk are developing but are not yet consistently effective enough to facilitate robust evaluation of progress**

- 43** The Council wants to move from using external consultants to manage major capital projects towards using seconded internal staff. This proposed approach reduces fees payable to external consultants but will raise risks around capacity and experience to deliver the project as well as the impact on the service from which staff are seconded. Currently, the Council's approach to managing non-capital projects is not consistently robust although there are some examples of innovative solutions being found by the Council, for example, establishing the School Transformation Project Team from within existing resources. A project initiation toolkit is in place but not all staff involved in managing major projects have been trained and approaches to managing projects vary. Improvement projects are inconsistent in the extent to which they identify risks to delivery of the project and the relevance of mitigation actions for identified risks. The degree of reporting of and challenge to project progress is also variable.
- 44** Several years ago, the Council's performance management systems were poor and were unable to produce accurate key performance information in many areas. Current systems have improved, particularly in relation to social care but across the Council, weaknesses remain in identifying performance measures relevant to the desired objective and outcome, setting targets, and reporting a comprehensive picture of performance.

- 45** The Council has introduced a balanced scorecard system of reporting performance information. There are examples of where reporting has enabled poor performance to be identified and effectively challenged. However, most of the indicators focus on service volumes, some on cost and very few on outputs and outcomes which makes it difficult to view service performance from a user perspective. Because some indicators in the Housing balanced scorecard do not have targets and little trend data is provided, it is not possible to determine whether or not performance in relation to them is appropriate or if it is improving.
- 46** At present, the performance management system focuses on providing information to facilitate reporting rather than to manage operational performance. The Council is participating in the pan-Wales Ffynon performance management system initiative which aims to improve the collection, dissemination and use of performance information. However, full implementation of the Ffynon system is constrained by the need for more staff training and skills development within service areas.
- 47** The Council is starting to do work to develop better measures of success, linked to outcomes that will help to identify how well the Council is performing to managers and executive and scrutiny members. It should also identify minimum service standards for non-priority areas against which performance can be monitored, to ensure that acceptable levels of service are maintained.

**48** In addition, the performance and development of individuals needs to link more clearly and consistently to the Council's objectives. At present, systems for individual appraisals are applied inconsistently.

**49** The Council effectively utilised the Joint Risk Assessment approach with external regulators to identify and manage risks within services. This process was supported by business plan toolkits and generated corporate, departmental and service risk registers. The Council is aiming to build upon this approach, giving responsibility to services to manage risks as part of their day-to-day activities and increase the focus of the corporate risk register upon strategic risks. It also needs to consider the impact of resource shifts upon non-priorities, weighing the implications of reducing or stopping services against the impact on the sustainability of services if non-funded service pressures are absorbed within budgets.

**The Council's strategic leadership is yet to agree the clear corporate focus necessary to achieve the scale and pace of change needed**

**The Council's aspirations are not clearly supported by strategies to achieve them or consistently translated into delivering tangible priority improvements**

**50** Overall, aspects of how the Council develops policy and determines strategy are evolving but key areas are still underdeveloped and need to be addressed quickly. Although the Council has successfully taken and implemented some significant and politically sensitive decisions, some key strategic documents are not in place that would show how the Council plans to use its people, physical assets and finances.

**51** The Council's CIP 2009-10 identified four broad strategic outcome themes around economic, physical and social regeneration; supporting children and adults to be healthy and economically active; and a sustainable environment and communities. These four themes support the overall vision of 'a better place to live and work'.

**52** The four strategic themes and the vision are worthwhile aspirations for all public services in Blaenau Gwent but are very high-level. On their own, they are not specific about what difference the Council can make to its communities and how it will achieve this. Without a supporting policy and strategy framework, they do not provide a clear direction that will drive the Council to make hard choices between competing priorities in a more challenging financial climate. Furthermore, there are weaknesses in how the improvement projects are managed. Consequently, it is difficult to ascertain how well the Council is progressing against the four strategic themes. Although the Council has started to define what success would look like and has brought together 42 major improvement projects under the four themes in the CIP, many are listed as actions without target dates for completion or identified outcomes.

**53** Since publishing the CIP last year, the Council has been strengthening links between the four themes, budgeting and business planning, improvement activities and performance management. This work is still in progress but is helping to encourage greater clarity and is informing developing improvement objectives.





**54** In common with other councils, the pace at which the Council challenges what services it provides and transforms how they are delivered will need to accelerate, to address pressures presented by rising demands, increasing expectations and tightening resources.

Although the Council has made some tough decisions such as school rationalisation, selectively switching off street lights, fortnightly refuse collections and housing stock transfer, the scale and complexity of decisions will increase and hard choices remain to be made between competing priorities. All councils need to focus clearly on where they can make a difference to what matters most. This means identifying a few, clear priorities and their role in achieving them in order to provide a coherent political and corporate strategic direction focused on outcomes. The Council has not yet produced a schedule of specific decisions and a programme of actions setting out how and when they will be completed.

**55** Setting a clear direction for the future will help the Council to communicate what it is trying to achieve and how it is going to deliver it as a cohesive prioritised programme that hangs together financially. This will support the Council's new management structure by encouraging senior officers to work together as a management team towards Council priorities rather than focusing on departmental matters. It will also help elected members to concentrate more on things that affect their communities as a whole and less on specific issues within services.

**Attitudes that hold back progress are starting to be challenged but the drive and enthusiasm for change reflected in individual initiatives are not yet harnessed effectively to achieve the necessary scale of improvement**

**56** The multiple significant needs of the communities within Blaenau Gwent already present the Council with many challenges. To achieve improvements within a climate of reductions in public funding will involve ambition, commitment and leadership at all levels and cannot come solely from the Leader and Chief Executive, it needs to be regarded as everybody's job. Some councillors and staff are highly committed to making a positive difference and engage positively with fresh approaches. However, many others have used high deprivation to justify low ambition, excuse poor services and avoid challenging established ways of working. This attitude places unrealistic expectations upon people in senior positions to provide answers to complex problems, hinders development of clear, shared priorities and slows the pace at which good ideas can be implemented.

**57** Recently, the Council has experimented with innovative approaches in specific services. These approaches aim to encourage staff to participate actively in challenging established ways of working and developing solutions to problems that obstruct improvement. Examples are the 'lean systems' review of the benefits payments service and the 'be the boss' project covering vehicle maintenance and waste collection. These appear to have achieved a significant impact in the service areas involved. The Council needs to undertake thorough critical evaluation of these exercises, learn from them, and if appropriate, replicate them but within a strategic programme that instils a 'can-do' attitude and transforms all services in order to achieve improvements for citizens against priorities.

**There have been some improvements in governance and processes to support effective decision making, challenge, scrutiny and evaluation**

**58** The Auditor General has defined good governance as 'ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely way.' The last local authority elections resulted in a new administration and introduced many new councillors across the political spectrum, bringing fresh energy, a realisation that they have been elected to improve services and a willingness to challenge established practices. The Council has made some improvements in its governance arrangements, albeit from a low base. These have helped the Council to begin to tackle major longstanding issues including improving children's

services, modernising residential care, reducing surplus primary school places, reconfiguring secondary schools and post-16 education and transferring housing stock.

**59** Effective scrutiny plays a key role in governance. Despite some improvements in scrutiny, it is hindered by weaknesses in other areas. These include inconsistencies in business planning and weaknesses in performance management and reporting of performance information. Some members feel disengaged from the political process by the executive and scrutiny model. Scrutiny and challenge are sometimes apathetic and legitimate challenge can become obstructive rather than constructive, lengthening the decision process.

**60** Currently, the Council is introducing measures to strengthen scrutiny. A forward programme of work has been developed which is helping the scrutiny function to become more focused, planned and prepared. It is also considering joint leadership development arrangements with two neighbouring authorities in order to build capacity. Following the decision to transfer housing stock, scrutiny and challenge in relation to potential risks and liabilities for the Council have been effective and not only through the formal scrutiny function. This is an example of good governance.



**61** The Council's Audit Committee has responsibility to ensure that arrangements for good governance are in place and operating effectively. To date, the Audit Committee has focused on financial accounting governance and controls. It needs to discharge its wider remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. This involves exercising greater oversight of non-financial governance and controls, and should include ensuring that a comprehensive suite of plans and policies that support improvement are in place, up-to-date and operating effectively. The Audit Committee should ensure that the Council's priorities, improvement objectives, projects, risks and performance are subject to appropriate scrutiny, challenge and evaluation. In particular, given the scale of capital projects, a greater oversight of these than happens at present is necessary. The Council should ensure the Audit Committee is appropriately trained and supported to discharge these responsibilities.

**62** From 2010-11, the Council's annual financial statements will need to disclose an Annual Governance Statement, in place of the Statement on Internal Control. A fundamental requirement in support of the Governance Statement is that local authorities have in place a Code of Governance, setting out an authority's governance principles and arrangements. A code should have been in place by 1 April 2010, although ideally before this date. To date, the Council has not introduced a Code of Governance but a draft will be presented to the October Audit Committee.

**63** While overall responsibility for producing the Council's annual financial statements rests with the Corporate Director for Resources, the Chief Executive has the primary responsibility for the development and introduction of a Code of Governance. The Audit Committee should obtain assurance that the code is in place and operating effectively.