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Conwy County Borough Council Report by the Auditor General for Wales Preliminary Corporate Assessment – August 2010



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Image courtesy of Conwy County Borough Council.

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Many aspects of corporate arrangements now support improvement but the current uncertainty at senior management level is a potential risk to the Council's ability to address the challenges that lie ahead

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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 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), the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. In evidence to the National Assembly’s Public Accounts Committee in June 2010, the WLGA noted: ‘There is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone.’ To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for increasing procuring rather than providing services and working in collaboration. It is in this context that the corporate assessment has been prepared.
- 6 This report sets out the findings of the Corporate Assessment only and is designed to answer the question:

‘Are the arrangements of Conwy County Borough Council (the Council) likely to secure continuous improvement?’
- 7 As this is our Preliminary Corporate Assessment, there are several areas where only limited work has been possible. We will continue to build on



this and monitor progress in the coming months to provide an update in our Annual Improvement Report to be issued in November.

- 8 The conclusion arising from our first Corporate Assessment is that many aspects of corporate arrangements now support improvement but the current uncertainty at senior management level is a potential risk to the Council's ability to address the challenges that lie ahead.
- 9 We based our conclusion on our assessment of the Council's progress over time and an analysis of the strengths and weaknesses of its arrangements to support improvement. These conclusions are explained in detail in Part 1 and Part 2 of the report respectively. We found that:
 - the Council has made significant improvements to its corporate arrangements in recent years but the current uncertainty at senior management level presents a potential risk to further progress; and
 - many of the Council's corporate arrangements contribute positively to helping it to improve and to meet future challenges.

Special inspection

- 10 Based on the Corporate Assessment the Auditor General does not intend to carry out a special inspection of the Council under section 21 of the Measure.

Recommendations

- 11 The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure nor recommended that Welsh Ministers should provide assistance to the Council by exercising their power under section 28 of the Measure or give a direction under section 29 of the Measure.

Areas for improvement

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

Exhibit 1: Areas for improvement

P1 The Council, in its own planning and within partnerships, should develop the use of outcomes and associated qualitative and quantitative measures in the definition of objectives and priorities.

P2 The Council should, wherever possible, make greater use of comparative information in evaluating its progress in delivering its priorities.

P3 The Council should continue as a matter of urgency and priority its programme of identifying and implementing efficiency savings and cost reductions as part of its Medium Term Financial Planning.

Part 1: How the Council has approached improvement over time

The Council has made significant improvements to its corporate arrangements in recent years but the current uncertainty at senior management level presents a potential risk to further progress

13 The Council has sustained the improvements made during its internal Corporate Assessment Improvement Programme (CAIP) and most of its corporate arrangements have firm foundations.

14 The Council has experienced a period of turbulence in its senior management in recent months and uncertainties remain. However, the Council has managed its affairs well during this difficult period. This report reflects the progress that the Council has made over time and its resilience under challenging circumstances.

After a period of limited progress, the Council made significant improvements to its corporate arrangements between 2005 and 2009

15 Prior to 2004, the Council lacked a unifying corporate identity. Though many services were good, they tended to work in isolation from each other. In 2004, the Appointed Auditor recommended that there should be a

corporate governance inspection because of a lack of progress in implementing previous recommendations.

16 In response, the Council set up a peer review that led to a wide-ranging CAIP. The CAIP was implemented very effectively and introduced a number of improvements that have been sustained. In particular, the improvements included:

- the introduction of Improvement Boards, comprising both elected members and officers, to oversee major change programmes;
- better project management;
- twice-yearly reviews of services that improved the management of performance and helped to identify risks;
- better communication between senior and middle management, and the development of a 'Team Conwy' approach; and
- improved scrutiny arrangements, leading to a better understanding on the part of elected members of key areas of Council policy and business.

The Council's arrangements are now sound in most respects

17 On 28 September 2009, the Appointed Auditor issued an unqualified audit opinion on the Council's accounting statements, confirming that they had been prepared in accordance with statutory requirements and that they



presented fairly the financial position and transactions of the Council.

18 In December 2009, the Relationship Manager and Appointed Auditor issued an Annual Letter on the Council's financial statements, corporate arrangements and performance. In the Letter, the Relationship Manager reported that, in relation to the Council's corporate arrangements, '...progress of recent years has continued but will need to be built upon to meet future challenges'.

19 In conducting this Corporate Assessment, we found that the Council's leadership and governance and its business processes are making positive contributions towards improvement. There are also good features in its partnership working, policy and strategy, use of resources and people management. However, although the Council has defined and publicised a coherent set of priorities, the intended outcomes of these priorities are not yet clear enough to underpin the planning of staff and resources.

The Council has coped well with fewer senior managers but the current uncertainty represents a degree of risk to its prospects of securing further improvement

20 The Chief Executive took up post in February 2009 following his predecessor's retirement in July 2008. The Council and the Chief Executive did not agree specific objectives when he took up the role, but a process has begun to agree future objectives and to clarify expectations. Since March 2010, the Council has temporarily relieved the Chief Executive of his duties because of allegations unrelated to his work. In addition, one of the Council's two Corporate Directors, who had

previously led the implementation of the CAIP, left to take up another post in January 2010.

21 Following the suspension of the Chief Executive, the Council moved swiftly to appoint an interim senior management team, restoring the structure that was in place before January 2010, with an Acting Chief Executive and two Acting Corporate Directors. The responsibilities of the interim post-holders have been allocated clearly and other staff have been promoted temporarily to cover aspects of the roles vacated by the interim senior management team.

22 Despite the loss of two senior managers during 2010, we have not identified any significant impact on the progress of Council business. Staff and councillors have supported the interim arrangements well, reflecting, in part, the sustained impact of the earlier improvements brought about through the CAIP and the 'Team Conwy' ethos. Nevertheless, the current uncertainty at the top of the organisation presents an element of risk to the Council's prospects of securing further improvement in the challenging financial climate that lies ahead.

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

Many of the Council's corporate arrangements contribute positively to helping it to improve and to meet future challenges

Well-developed business processes and governance have sustained the Council during a difficult period for its leadership

- 23** Despite a potentially fragile political context in which the largest single group is in opposition, the Council Leader has established and maintained a stable and experienced Cabinet representing a coalition of four groups.
- 24** This stability reflects the Council's improved governance, through which all councillors are engaged in various ways in the pursuit of the Council's priorities. The Council's scrutiny function has improved, for example, with committee work programmes being clearly aligned with the Cabinet programme, and agenda items linked explicitly to Council priorities. Much of scrutiny committees' work consists of the consideration of matters before they reach Cabinet, and this process helps to gain political consensus and to ensure that subsequent Cabinet decisions have a broad measure of support.
- 25** Improvement Boards provide a further avenue for councillors to be involved in ensuring the progress of major initiatives, working alongside officers. Improvement Boards also form a key strand of the governance of programmes; while they have the potential to duplicate some of the role of scrutiny, the Council has recently considered this issue and reduced the number of Improvement Boards in order to mitigate this risk.
- 26** The Council has also made significant progress in improving its management and governance of individual projects that support its priorities. The use of 'pause and review', whereby formal evaluations involving all stakeholders are held at key points in the delivery of some projects, represents good practice, enabling the Council to reflect on the lessons learned in order to inform future projects.
- 27** The Council's risk management policy is strong and senior managers have a good understanding of risk management. The Council has implemented training programmes for staff and for the chairs and vice-chairs of committees so that they improve their ability to apply and interpret the risk management framework. The twice-yearly self-assessment of service performance feeds into the risk register effectively, enabling more significant service-level risks to receive appropriate attention at a corporate level.



28 Scrutiny committees and the Cabinet receive reports on corporate performance twice a year. The members that we spoke to felt confident that the reports, alongside other information available to them, provide an adequate basis on which they might gauge the Council's performance. However, the performance reports contain too little information about trends and about the performance of other councils to enable a comprehensive evaluation of performance.

29 The developing use of the Ffynnon performance management software offers the potential to increase the availability of meaningful comparative data. The Council has already defined acceptable thresholds for key performance indicators, and service managers are called to account if performance fails to reach the threshold. More generally, however, there is limited use of performance indicators to inform service management.

The Council has begun to refine its priorities to guide its use of staff and resources in the increasingly challenging financial climate ahead and adopts a pragmatic approach to partnership working

30 The Council is now in the third year of the implementation of its four-year Corporate Plan. Work is already in hand to review the Community Strategy in order to inform the next Corporate Plan.

31 The current plan reflects the existing Community Strategy as well as a reasonable and developing level of public engagement. The Council involved stakeholders well in determining its priorities. However,

limited progress in developing a consultation database presents a risk that there will be duplication of effort across services. The consultation database is not linked to the Council's complaints and compliments system; the Council's knowledge about its customers is therefore fragmented and not providing as much information as it might to inform the planning of services.

32 The Corporate Plan is well written for a public audience, and the Corporate Delivery Scheme (CDS) sets out in greater detail the actions underpinning the Corporate Plan. This CDS provides the framework within which services determine their objectives and the Council monitors its progress in implementing its priorities.

33 Neither the Corporate Plan nor the underlying CDS is clear enough about the outcomes the Council intends to achieve. While the Council is able to monitor whether or not planned tasks and projects have been completed, there is less clarity about the outcomes that they have influenced or achieved. The Council is aware of the need to develop more clarity about its intended outcomes and is exploring ways of doing so, with support from the Wales Audit Office.

34 We have yet to complete our evaluation of the full range of the Council's main policies and strategies. However, the Council has successfully transferred its housing stock to Cartrefi Conwy as a means of achieving the Welsh Housing Quality Standard. The Council is one of a significant minority of authorities in Wales that has neither a Unitary Development Plan nor a Local Development Plan (LDP) to underpin its decision-making in response to planning applications, although the draft LDP has been

submitted for consultation and a revised draft is due to be presented to members in August 2010.

- 35** The Council has, in recent years, set its revenue budget below the level of its Standard Spending Assessment and sought to balance low increases in central funding with cost control and increases to the low base of Council Tax. Within this context, the Council has developed effective mechanisms for aligning annual budgets with service plans and projects. The level of general reserves is comparatively low but financial management is robust. The Council has a good record of accessing EU grants to fund regeneration projects.
- 36** In response to the strong likelihood of a significant fall in revenue through the Revenue Support Grant, the Council has begun a process of medium-term financial planning. This process has identified the likely level of savings necessary across the Council under a range of scenarios, and significant work continues with both officer and councillor involvement to consider the more detailed impact on individual services, and how difficult decisions can be taken with the competing priorities across the full scope of the Council's service. It is essential that this work continues and the desired actions are taken. Thus far, medium-term financial planning has had only a slight impact on the Council's priorities, reflecting, in part, the fact that these priorities have been defined with insufficient precision.
- 37** The Council has made good progress in the quality of its asset management planning. However, the ongoing school modernisation programme provides an element of uncertainty as to the Council's future capital requirements and the means by which they will be met. The Council also faces challenges with regard to its office accommodation which is currently dispersed in buildings of varying suitability across the county borough.
- 38** The need to solve particular office accommodation problems presents a potential catalyst for a wide-ranging transformation of Council services. There has been early work to scope the likely benefits of such a programme. However, at a time of financial uncertainty, the Council has wisely decided to review the initial planning in order to determine whether the estimated revenue savings are realistic and whether the capital costs are affordable in the light of existing commitments and priorities.
- 39** The Council has adequate Human Resources (HR) capacity and key HR policies are in place. The 'Modernising Employment' project, which encompasses job evaluation and single status, is making steady progress. We have referred earlier to the 'Team Conwy' ethos, developed as a result of the CAIP. A monthly newsletter to staff keeps them well informed about major developments, and staff are able to offer suggestions as to how the Council might improve its services.
- 40** The Council recognises that workforce planning is at an early stage and does not clearly support the delivery of the Council's priorities. However, at service level, there is a good understanding of capacity and capability, and the HR service offers some business partnering to help take forward this understanding. Furthermore, workforce planning across the public sector within the locality is one of three priorities for the Local Service Board, with a Local Delivery Agreement in place. Coleg Llandrillo, the large local



further education college, is leading this work, linking it well to the 14-19 Learning Network and the planning of opportunities for the area's young people.

- 41** There are numerous examples of innovative collaborative working between the Council and other partners. For example, since January 2009, the Council has shared the post of Head of Highways and Infrastructure with neighbouring Denbighshire County Council. There have also been discussions with Denbighshire about a joint head of children's services post and the Council is currently considering the implications of this collaboration. Joint working with the health service and housing associations has recently delivered two extra-care housing facilities.
- 42** The Council adopts a pragmatic approach to working in partnership with others. When considering new partnership arrangements, the Council considers the costs and benefits to be gained from joining against those of not doing so. Such an approach is prudent, particularly in the current economic climate. However, the Council needs to ensure that its approach is both strategic and agile enough to respond to collaboration opportunities as they arise.
- 43** The Council has established a Partnerships Overview and Scrutiny Committee, and this or another relevant committee receives regular reports about the work of partnerships in which the Council is involved. However, committees tend to pay too much attention to matters of detail rather than to the outcomes and governance of partnerships. Recent work by the Council's Internal Audit team has identified weaknesses in the governance of a small sample of

partnerships, and a lack of adherence to the Council's performance and risk management procedures. A Partnership Co-ordination Manager has been appointed and is undertaking a review of partnerships to ensure that their planning focuses on outcomes more closely than is currently the case.