



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report

## Merthyr Tydfil County Borough Council

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This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Justine Morgan under the direction of Jane Holownia.

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# Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the relevant Welsh inspectorates, as well as work undertaken on his behalf by the Wales Audit Office, this report covers Merthyr Tydfil County Borough Council's (the Council) delivery and evaluation of services in relation to 2011-12, and its planning of improvement for 2012-13.
  - The Council collaborates well with other councils and partners in providing adult and children's services, and is successful in supporting vulnerable people to live at home.
  - The Council has improved the percentage of waste recycled and sent to landfill but meeting national targets will be challenging and it may face significant financial penalties if it does not.
  - Progress in regenerating the Council's town centres has been slower than expected and has not yet realised the outcomes intended.
  - More people are involved in worklessness projects and are achieving necessary skills and qualifications but the level of unemployment has reduced only marginally and remains well above average.
  - The processes in place for administering housing benefit should ensure that timely payments are made to the right people, and the service is effective and responsive. However, accuracy remains a challenge.
- 2 Overall the Auditor General has concluded that the Council is not developing its improvement programme quickly enough, and public reporting of its performance is not as clear as it could be.
- 3 The Council's education services are unsatisfactory and, whilst performance across the range of the Council services is variable, there is limited evidence that the learning points from better-performing services are being effectively applied to the services where the need for improvement has been identified:
  - The Minister for Education and Skills is to remove the Council's responsibility for education because education services for children and young people are unsatisfactory and there are unsatisfactory prospects for improvement.

- 4 We also found that a lack of rigorous self-evaluation hinders service improvement and means that the Council is unable to provide citizens with a coherent picture of its performance:
- The Council has discharged its improvement reporting duties under the Local Government (Wales) Measure 2009 (the Measure). However, it should ensure that it acts more in accordance with Welsh Government guidance.
  - The Council's *Annual Performance Report 2011/12* (the Performance Report) and *Annual Performance Report 2011/12 Public Summary* (the Public Summary) do not provide a fair and balanced assessment of performance. Important points, particularly in areas of poorer performance, do not always come through clearly under each improvement objective.
  - The Council's arrangements for self-evaluation are not rigorous enough to support continuous improvement or provide citizens with a coherent picture of its performance in delivering its corporate improvement priorities.
  - A clear framework to monitor performance is in place and performance data is widely reported, but weaknesses in the quality and evaluation of data mean that the Council is unable to robustly challenge performance or decide what it needs to do differently to improve.
- The Council complied with its responsibilities relating to financial reporting and use of resources.
  - The Welsh Language Commissioner (the Commissioner) has been critical of the Council's management and administration of its *Welsh Language Scheme*, and the Council is responding to the Commissioner's recommendations.
- 5 Finally, this report sets out our views on how well the Council is planning for, and making arrangements to support, improvement. We concluded that the Council has discharged its statutory improvement planning duties but failed to comply with its requirement to make arrangements to secure continuous improvement:
- the Council has discharged its statutory improvement planning duties but more work is needed to develop measures of performance that clearly define what success will look like, and to refine arrangements to monitor and drive improvement;
  - there is significant work to do to align the Medium-Term Financial Plan (MTFP), asset management strategy and workforce strategy if they are to be used to fully inform and support the achievement of the Council's priorities; and
  - the Council is working jointly with Rhondda Cynon Taf County Borough Council to develop a more strategic and coordinated approach to public engagement.

# Recommendations

- 6 We have previously raised a number of proposals for improvement in respect of the Council's corporate planning arrangements, specifically relating to performance management and medium-term financial planning. Whilst some of these proposals have been partly addressed, there remain weaknesses which need to be addressed with more urgency. The Council has a history of developing its performance management arrangements and changing its processes. The focus needs to change from this approach to creating a culture where self-evaluation is more open and constructive, and where managers and leaders use performance information that they can trust to effectively manage and challenge performance.

## Recommendations

- R1** In order to discharge its duty to make arrangements to secure continuous improvement, the Council should:
- develop measures of performance that more clearly define what success in delivering its corporate improvement priorities will look like;
  - develop its arrangements to ensure more rigorous self-evaluation of the performance of services, and of progress in delivering corporate priority outcomes; and
  - ensure its citizens are provided with a fair, balanced and coherent picture of the Council's performance.

# Detailed report

## Introduction

- 7 Under the Measure, the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. **Appendix 1** provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education) and the Care and Social Services Inspectorate for Wales (the CSSIW), we have brought together a picture of what each council or authority in Wales is trying to achieve and how it is going about it. This report also sets out the progress the Council has made since the Auditor General published his last annual improvement report, drawing on the Council's own self-assessment.
- 8 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge, and the findings of prioritised work undertaken this year.
- 9 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- recommend to Ministers of the Welsh Government that they intervene in some way;
  - conduct a special inspection and publish the report with detailed recommendations;
  - make formal recommendations for improvement – if a formal recommendation is made the Council must respond to that recommendation publicly within 30 days; and
  - make proposals for improvement – if we make proposals to the Council, we would expect it to do something about them and we will follow up what happens.
- 10 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at [info@wao.gov.uk](mailto:info@wao.gov.uk) or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

The Council is not developing its improvement programme quickly enough, and public reporting of its performance is not as clear as it could be

The Council's education services are unsatisfactory and, whilst performance across the range of the Council services is variable, there is limited evidence that the learning points from better-performing services are being effectively applied to the services where the need for improvement has been identified

The Minister for Education and Skills is to remove the Council's responsibility for education because education services for children and young people are unsatisfactory, and there are unsatisfactory prospects for improvement

11 The Council's education services for children and young people were inspected by Estyn in November 2012. Estyn published its inspection report in February 2013 and this is available on its website [www.estyn.gov.uk](http://www.estyn.gov.uk). The following is an extract from the full inspection report.

12 'The Council's education services for children and young people are unsatisfactory because:

- at all key stages, standards for learners are unsatisfactory;
- exclusion rates are too high, too many young people are not in education, employment or training and attendance rates in primary schools are unacceptably low;
- support for school improvement and for promoting social inclusion and wellbeing is unsatisfactory;
- the impact of youth support services is not evaluated to check that the provision addresses needs; and
- the failure of leaders to implement systems to identify strengths and weaknesses in schools has resulted in a lack of challenge and too little improvement in standards.

However:

- the Council has worked well to improve attendance in its secondary schools over recent years;
- participation in, and the outcomes from, the Council's youth provision is well above the national average;



- the provision for young people educated other than at school, for young offenders and for looked after children, is good;
- children and young people, including those from vulnerable groups, engage well in developing learner voice within the authority;
- the Council meets its statutory obligations well in respect of children and young people with additional learning needs; and
- the reorganisation of post-16 learning has been managed well.

13 The Council has unsatisfactory prospects for improvement because:

- senior officers and elected members of the Council have not challenged underperformance and poor outcomes for learners;
- officers have not provided reports to members that analyse performance data well enough to identify progress and key areas for improvement;
- the Council does not have in place a robust and continuous self-evaluation process for its education services;
- the Council has not responded well enough to the recommendations from past inspections including those going back to 2004; and

- the Council lacks effective systems to judge whether initiatives and services have a positive impact on children and young people or offer good value for money.

However:

- There is a high-level vision emerging within the Council, supported by a commitment from senior leaders, school head teachers and governors, to address the challenges.'

14 In response, the Council is required to produce an action plan to address the following recommendations:

- secure better outcomes for learners at all key stages, and analyse and use performance data to identify and address underperformance;
- strengthen the level of challenge to schools and use the full powers available to the authority to improve leadership and management in underperforming schools;
- devise and apply better strategies to reduce the number of young people not in education, employment or training and build upon existing strategies to reduce the number excluded from school and improve pupil attendance rates, especially in primary schools;

- develop a robust self-evaluation framework for the work of the local authority's education services, and introduce appropriate and challenging performance targets that drive improvement;
- develop a more rigorous scrutiny framework, supported by data analysis, to challenge the education services;
- ensure that data on the needs and attainment of all pupils with additional learning needs, and of vulnerable groups, is used at a strategic level to identify specific issues and trends that inform service planning;
- evaluate the impact of youth support services in order to adjust the provision and rebalance resource allocation where necessary; and
- develop and implement systems to judge whether initiatives and services have a positive impact on children and young people and offer good value for money.

15 The Minister for Education and Skills announced on 26 February 2013 that he will be removing the Council's responsibility for education, stating that: 'The local authority has failed to respond to Estyn recommendations going back 8 years. There are systemic weaknesses in the authority and therefore I can have no confidence that Merthyr will resolve these problems itself, even with support.'

16 The Minister intends to 'establish a recovery board to oversee recovery in education in Merthyr Tydfil', and the Council is holding discussions with the Minister and his officials in order to agree on the most appropriate model to deliver the changes needed. We will continue to monitor developments closely.

**The Council collaborates well with other councils and partners in providing adult and children's services, and is successful in supporting vulnerable people to live at home**

17 The Council has a tradition of close partnership with its neighbouring council, Rhondda Cynon Taff, and the local health board, Cwm Taf. The Council's planning and development of the Merthyr Tydfil Health and Social Care Park provided the opportunity to bring together the statutory, voluntary and independent sectors in one setting to help improve access to services for people. This service began operating from the Kier Hardie Health Park in February 2013.

18 The Council is keen to modernise its processes, and this will require a continued commitment to strong partnership working if significant and necessary change is to be achieved. The Council has successfully restructured its internal management structures and teams for the delivery of frontline services, across both adult and children's services.

- 19 Within adult services, the Council has collaborated with other councils to provide services. It recognises its limitations as a comparatively small council and is open to developing relationships beyond the immediate neighbouring councils where this can enhance service delivery. An example of this is participation in the *Shared Lives* project with five other neighbouring authorities. It also has joint arrangements for supporting client finance with Caerphilly County Borough Council.
- 20 The restructuring of the children's management team has strengthened the links between early assessment, intervention and the decision-making process. As with adult services, the Council has benefited from its partnership arrangements with a neighbouring authority. This has seen the Council being called upon to work in partnership with other councils in the development of the integrated family support services across Wales.
- 21 The CCSIW published its *Annual Review and Evaluation of Performance 2011-12* in October 2012, and identified the following potential risks and areas of good practice:
- Risks:
    - modernisation of adult services; and
    - achieving a balance of in-house and independent care provision which is sustainable in the longer term.
- 22 The CCSIW also reviewed the Council's Director's report, and confirmed that it gives a comprehensive account of the Council's performance and reflects the evidence provided to the CCSIW. In particular, it reflects upon the success the Council has achieved in supporting people to remain at home. Comparative figures show the Council's performance is well above the national average. The CCSIW confirmed that the evidence provided by the Council to support its evaluation is clear.
- Areas of good practice:
    - partnership work, both with its neighbouring council, Rhondda Cynon Taf County Borough Council, and with others in the South East regional consortium;
    - safeguarding children and the establishment of a joint board with health partners and the police; and
    - innovative local campaigns through the use of local radio to recruit new fostering/adoption carers.

**The Council has improved the percentage of waste recycled and sent to landfill but meeting national targets will be challenging and it may face significant financial penalties if it does not**

- 23 One of the Council's corporate priorities in 2011-12 related to recycling and waste management, specifically to reduce the impact of waste in Merthyr Tydfil by making sure the right facilities are in place to collect and treat the waste and by increasing the amount of waste recycled and thus reducing the amount sent to landfill. Both the Welsh Government and the European Union (EU) have set challenging targets for waste management which become progressively more demanding, and carry significant financial penalties if not met.
- 24 The Council is working towards implementing the outcomes of the Welsh Government's waste strategy, *Towards Zero Waste*. The Council sought to do this primarily through the procurement of an anaerobic digestion facility and residual waste facility in partnership with other Welsh councils.
- 25 There has been progress in procuring an anaerobic digestion facility in partnership with Rhondda Cynon Taf and Newport City councils. The contract has now been awarded and the facility will become operational in April 2014. However, procurement of the residual waste facility was delayed as only one bid was received for the tender and the procurement process had to be restarted. As a result, the Council had to find an interim solution and has drawn up arrangements with Rhondda Cynon Taf County Borough Council whereby waste disposal has been outsourced to it as from 1 April 2013. It is anticipated this solution will last for two years with the procurement process running in parallel.
- 26 Of the 11 targets the Council set to measure progress against this corporate priority in its *Corporate Plan 2011-2014*, 10 were met and one was missed by less than five per cent. The introduction of fortnightly collections, increased awareness-raising activity and implementation of an enforcement policy have contributed to the Council making progress in reducing the percentage of municipal waste sent to landfill over the past three years from just over 64 per cent in 2009-10 to just under 55 per cent in 2011-12. The Council complied with the EU landfill allowance for 2010-11 and 2011-12, and is working towards the 2012-13 target. Whilst this improvement is positive, the Council is the lowest-performing council in Wales in this measure.
- 27 The Council also improved its performance in the percentage of waste recycled which increased from 25 per cent in 2010-11 to just over 42 per cent in 2011-12. Nevertheless, the Council's performance is again below the Welsh average and its performance is ranked 19th out of the 22 local authorities in Wales.
- 28 2012-13 is a crucial year as the Council is under pressure to meet the Welsh Government recycling target of 52 per cent. The Council has developed a number of initiatives including the 3Gs *Zero Waste* project launched in November 2012 to target areas where participation in waste recycling is low. However, despite this, it will

be challenging for the Council to meet the 52 per cent target and it may face significant financial penalties if it does not.

**Progress in regenerating the Council's town centres has been slower than expected and has not yet realised the outcomes intended**

- 29 The Council has two major capital projects underway designed to strengthen the county borough's position as the regional centre of the Heads of the Valleys: Merthyr Tydfil town centre regeneration and Taf Bargoed regeneration. A key element of these regeneration projects is the *Building Enhancement Scheme* which aims to bring back into use vacant and derelict properties. The Council has secured £24 million grant funding to deliver the Merthyr Tydfil regeneration programme over the next three years.
- 30 The uptake of the *Building Enhancement Scheme* has been slower than anticipated due to the main landlord in Merthyr Tydfil town centre going into receivership in 2012. The properties were auctioned individually and some have been sold, however a number of key properties which were envisaged to be part of the scheme have remained unsold.
- 31 Progress with the Taf Bargoed regeneration programme has been more positive focusing on improving the facilities and access in Parc Taf Bargoed, although improvements to Treharris town centre and the traffic improvement scheme in Trelewis have been delayed and are now scheduled to be completed in 2013.
- 32 The Council is continuing to work with the University of Glamorgan on the development of the college at Merthyr Tydfil which is currently being constructed and is due to open in September 2013.
- 33 The Council set five performance targets in this area, but met only two of them. The number of buildings refurbished as part of both the Merthyr Tydfil town centre and Taf Bargoed regeneration programmes fell significantly short of the targets set and declined in comparison to performance in 2010-11. The number of jobs created through the regeneration programme was also below target due to problems associated with the *Building Enhancement Scheme*. Conversely, the reported number of visitors to Merthyr Tydfil increased dramatically from 35,000 in 2011 to just under 5.5 million in 2012. The Council has told us that this variation is due to additional locations used to measure footfall but, in our view, it raises questions about the reliability of the measure.
- 34 In general, the measures used to determine performance in relation to the physical regeneration corporate priority are not very outcome focused. They do not measure the impact that the Council's actions have on service users and the local population. Surveys of the public's views of the ongoing works have been undertaken and the results have been provided to the cabinet, but this more qualitative information has not been reflected in the Council's Performance Report. The Council has appointed consultants to collect relevant information in order to help the Council develop better outcome measures.



**More people are involved in worklessness projects and are achieving necessary skills and qualifications but the level of unemployment has reduced only marginally and remains well-above average**

- 35 Unemployment rates are historically high in Merthyr Tydfil and it is therefore appropriate that one of the Council's corporate priorities for 2011-12 was to improve the skills of local residents to help them access work opportunities and improve employability.
- 36 The funding streams for many national worklessness programmes including *Jobmatch*, *Bridges into Work* and the *Future Jobs Fund* came to an end in 2011-12. However, the Council decided to invest in the *Bridges into Work* project to enable it to continue. It is also continuing to work with key partners, and engage in other programmes and initiatives such as the *Future Jobs Fund* model and *Venture Out* programme.
- 37 The *Access to Employment* project seeks to improve skills to increase employment opportunities and targets those residents of the county borough furthest from the labour market. This is an investment of £1.782 million made up £1.482 million of European and Welsh Government grant funding and £300,000 of Council funding.

- 38 Whilst more young people are achieving necessary skills and qualifications, this has not yet reflected significantly in getting young people into employment which continues to be a challenge in the current economic climate. The Council has been successful in increasing the number of people engaged in worklessness projects from 3,724 in 2010-11 to 4,113 in 2011-12. However, the number of people supported into employment in 2011-12 declined from 1,348 in 2010-11 to 563 in 2011-12. At 13 per cent, Merthyr Tydfil's unemployment rate in September 2012 was only a marginal improvement over the previous year and compares unfavourably with the Welsh (8.4 per cent) and UK (7.9 per cent) averages in this key measure.

**The processes in place for administering housing benefit should ensure that timely payments are made to the right people, and the service is effective and responsive. However accuracy remains a challenge.**

- 39 The average time taken to process new housing benefit claims has improved and now equals the Welsh average. Average processing times for changes in circumstance notifications are quicker than the Welsh average. The percentage of new claims decided within 14 days has improved and the service has reduced the percentage of new claims outstanding for more than 50 days.

- 40 A higher percentage of overpayments have been identified and recovered than in the previous year. However, the percentage of claims correctly calculated is below the Welsh average and we will monitor this in the forthcoming year.
- 41 A higher number of applications for reconsideration or revision have been received than in the previous year, although these are dealt with comparatively quickly.
- 42 Fewer appeals have been received than in previous years and these are also dealt with more quickly than the Welsh average.
- 43 Fraud referral levels have fallen slightly, fraud investigations have increased and the number of successful sanctions has remained unchanged.

## A lack of rigorous self-evaluation hinders service improvement and means that the Council is unable to provide citizens with a coherent picture of its performance

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

- 44 By publishing its 2011-12 Performance Report by the deadline of 31 October 2012, the Council has complied with the statutory requirements outlined within the Welsh Government's guidance for the Measure, under section 15 (7).
- 45 The report sets out the Council's performance against all statutory indicators, and includes current and prior-year performance figures. Performance against targets and comparison with the Welsh average is also included. The Council has published a summary of its Performance Report. Both the full version and summary are available on the Council's website, and hard copies are available at its main public buildings in Welsh and English.
- 46 The Council has used progress against key actions and quantitative measures of performance as the main evidence to determine its performance. There is scope to include more qualitative information to provide a more rounded evidence base to enable it to assess its performance. Furthermore, the Performance Report lacks overall evaluative statements of the Council's progress in achieving its improvement priorities and the impact that its actions have had on citizens. It is left up to the reader to form their own opinion as to whether the improvement priority has been achieved.

The Council's Performance Report and Public Summary do not provide a fair and balanced assessment of performance. Important points, particularly in areas of poorer performance, do not always come through clearly under each improvement objective.

- 47 The Performance Report provides a great deal of information about what the Council has done to deliver its 2011-12 corporate priorities for improvement. It identifies the percentage of tasks completed and targets met over the past two years. It also highlights its performance against national indicators including the number where it has improved, maintained or declined its performance. This latter information is also included in the Public Summary. The introduction by the Leader and Chief Executive also outlines a number of the Council's achievements as well as identifying areas where targets were not met.
- 48 However, the main narrative is not always balanced and lacks analysis of the information provided. Information necessary to form an overview of the progress the Council is making is either missing or is fragmented within the Performance Report and not sufficiently drawn together to form a coherent evaluation. Under the waste and recycling priority, for example, the Council has been quite candid about the delays in procuring a sustainable long-term waste treatment solution and does clearly highlight that despite improvements in increasing the amount of waste being recycled and reducing the amount of waste taken to landfill, its performance is still below the

Welsh average. Conversely, it does not explain here that its performance means that it is ranked 19th and 22nd out of Welsh local authorities respectively. This information is included in an appendix to the report. More significantly, the report does not identify that the Council is unlikely to meet the Welsh Government recycling and waste targets, and fails to underline the potential significant financial implications of not doing so.

- 49 Similarly, the narrative on the economic regeneration priority outlines the different initiatives underway but fails to mention that key targets around job and enterprise creation have not been met. Indeed, performance on the former has declined since last year, yet this does not come through clearly to the reader.
- 50 The report states that all tasks relating to education were completed and 12 out of 15 targets were met, but it does not mention that the Council continues to be ranked 21st out of 22 Welsh councils in relation to some of the key educational attainment indicators. The report accurately highlights that school attendance at both primary and secondary levels is improving but this is not placed in the context that the Council still has the worst primary school attendance in Wales.
- 51 Overall, the Performance Report predominantly focuses on the achievements under each of the corporate improvement priorities. It does not consistently include information where performance has declined, or where further action is needed. The report is selective in providing comparative information which hinders the ability of the reader to get a more informed picture of performance.

### The Council's arrangements for self-evaluation are not rigorous enough to support continuous improvement or provide citizens with a coherent picture of its performance in delivering its corporate improvement priorities

- 52 This is the second year the Council has been required to publish a backward-looking Performance Report. In our *Annual Improvement Report* in January 2012, we emphasised that councils need to be more self-critical and evaluative around how they deliver their services, and that they need to focus much more clearly on the intended outcomes and the impact of services upon citizens.
- 53 We recognise that the Council's current focus is towards developing its corporate plan 2013-2017 and refining its arrangements to support this. Nevertheless, its 2011-12 Performance Report does not provide citizens with a reliable assessment or meaningful evaluation of the Council's performance in delivering its corporate improvement priorities.
- 54 We have considered the views of other regulators as to the reliability of the Council's self-evaluation arrangements, and these indicate considerable inconsistency in practice within the Council.
- 55 The CSSIW reported in its *Annual Review and Evaluation of Performance 2011-12* that 'the Director's report gives a comprehensive account of the Council's performance and reflects the evidence provided to CSSIW' and 'the evidence provided by the Council to support its evaluation has been clear and comprehensive'.

56 However, Estyn found that the Council ‘does not have in place a robust and on-going self-evaluation process for its education services. It has been too reliant upon evaluation and challenge from regulators, inspectors and consultants to tell them how well they are doing. As a consequence, it does not know itself well enough.

57 The Council provided a self-evaluation report before the inspection<sup>1</sup>. This report is too descriptive, with too little evaluation of first-hand evidence. The report is focused too strongly on ‘good news’ aspects and consequently it does not adequately evaluate the most important challenges facing the Council. Although a range of stakeholders were included in the development of the self-evaluation, key elected members were not given sufficient opportunity to influence the report’s judgments about quality or standards.’

**A clear framework to monitor performance is in place and performance data is widely reported, but weaknesses in the quality and evaluation of data mean that the Council is unable to robustly challenge performance and decide what it needs to do differently to improve**

58 The Council has a number of mechanisms in place to report and monitor performance. These include cabinet, scrutiny committees, executive board and service management boards. Ffynnon<sup>2</sup> is used as the main vehicle to facilitate performance monitoring and the Council has developed specific dashboards within Ffynnon to monitor its corporate priorities, outcome agreements, risks and strategic service plans. It is the information within Ffynnon that is presented to scrutiny committees on a quarterly basis and forms the basis of the Council’s 2011-12 Performance Report. There is a timetable in place which sets out when performance against the corporate priorities and strategic service plans will be monitored by appropriate forums and committees.

59 Focus on performance monitoring is predominately on progress against actions and measures rather than considering impact and outcome for service users. We have previously reported our concerns that the Council has not aligned the tasks and success measures that are intended to support achievement of its corporate priorities for improvement. Although some progress has been made, there is considerable work to be done before the Council can have confidence that delivering

1 Estyn inspection of the quality of local authority education services for children and young people: November 2012

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



- its planned improvement activities will improve its services and lead to improved outcomes for service users and citizens.
- 60 Our review of a sample of performance information presented to scrutiny committees found an absence of trend and comparative information, and significant scope to include more qualitative and financial information. Including this information would enable scrutiny members to better evaluate and more effectively challenge the performance of the Council's services.
- 61 The recent Estyn inspection found that: 'Officers have not provided reports for elected members which analyse school performance data in enough detail to identify and address key areas for improvement. The scrutiny process has therefore not been well informed about education performance and challenge has been weak. However, there has been a focus in scrutiny on attendance in schools, which has contributed to improvements, although only in the secondary sector.
- 62 The use of Ffynnon for performance management purposes provides a very useful structure to measure and monitor progress against performance indicators and agreed timescales. However, this performance management process does not adequately capture important information about the impact of the Council's work or the difference it is making for learners. Therefore, the directorate's education services are not evaluated well-enough to help elected members, services and managers to drive improvement effectively.'
- 63 The Council has proactively engaged with the Welsh Local Government Association (WLGA) to develop the effectiveness of its scrutiny arrangements, and we are currently working alongside the Council's scrutiny members and support team who are participating in an all-Wales improvement study designed to promote and support improvement in the effectiveness of scrutiny arrangements. We will report the outcomes of the study in due course.
- 64 However, the Council must address the identified weaknesses in the quality and evaluation of its performance data if it is to be able to robustly challenge performance and decide what it needs to do differently to improve.
- The Council complied with its responsibilities relating to financial reporting and use of resources**
- 65 The appointed auditor recently gave his opinion on the Council's accounts, and gave the view that the Council complied with its responsibilities relating to financial reporting and use of resources. **Appendix 3** gives more detail.

**The Welsh Language Commissioner has been critical of the Council's management and administration of its *Welsh Language Scheme*, and the Council is responding to the Commissioner's recommendations**

- 66 The role of the Welsh Language Commissioner was created by the Welsh Language (Wales) Measure 2011. Over time, new powers to impose standards on organisations will come into force through legislation. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 67 The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of local authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every local authority is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.
- 68 During 2012, the Council has been the subject of an investigation under section 17 of the Welsh Language Act 1993 in relation to failures in the implementation of its *Welsh Language Scheme*. The Council accepted the report of the investigation and agreed to implement a number of recommendations. The recommendations related to the management and administration of the *Welsh Language Scheme*; the corporate website; and matters relating to the Welsh language skills of the workforce. The Council is expected to have implemented all recommendations by April 2013. Subsequently, the priority will be to develop and improve these areas further. The Council has already shown some progress towards meeting the targets of the recommendations and progress will continue to be reviewed through the Council's next annual monitoring report.

## The Council has discharged its statutory improvement planning duties but failed to comply with its requirement to make arrangements to secure continuous improvement

### The Council has discharged its statutory improvement planning duties but more work is needed to develop measures of performance that clearly define what success will look like, and to refine arrangements to monitor and drive improvement

- 69 In our assessment of the Council's improvement objectives and annual improvement plan (called the *Corporate Plan 2012-2013*), we concluded that the Council had discharged its improvement planning duties under the Measure and had acted in accordance with Welsh Government guidance.
- 70 The improvement plan and a short, non-technical public summary were published in both English and Welsh within the timeframe set by the Welsh Government. Both are available in electronic format on the Council's website and were publicised through the local press. Hard copies of the bilingual public summary are available in the reception areas of council offices and available upon request.

- 71 This year, the Council engaged in a comprehensive exercise to establish clearer and more outcome-focused improvement objectives. Facilitated by an external organisation, this process has engaged services, senior management and members in the identification of four new priority outcomes for 2012-13. The Council also undertook extensive consultation with local citizens, businesses and partners on its community plan and further consultation with residents in January 2012.
- 72 We reported that more work is needed to develop measures of performance that clearly define what success will look like, and to refine arrangements to monitor and drive improvement. However, whilst we recognise that 2012-13 strategic service and operational plans were still in the process of being developed, our more recent review of a small sample of corporate priorities for improvement did not demonstrate significant progress in this area.
- 73 The recent Estyn inspection report also raised a similar concern stating: 'the adoption at a corporate level of a results-based accountability approach, have not yet permeated to service planning level in education and so cannot drive the necessary improvement'.
- 74 Overall, the Council's methods for collecting and reporting performance indicators are reliable, although we have reported some issues relating to a small number of indicators where arrangements need to be improved.

**There is significant work to do to align the medium-term financial plan, asset management strategy and workforce strategy if they are to be used to fully inform and support the achievement of the Council's priorities**

- 75 The Council has an established process for updating its MTFP on an annual basis and it is being updated for 2013-14 to 2016-17. The MTFP shows an indicative revenue budget deficit of £5.7 million over the four-year period and is based upon current service configuration.
- 76 The Council has a number of initiatives in place to secure efficiency savings. It is less clear whether balanced budgets can be set which adequately resource the delivery of the Council's improvement objectives over the medium term. The MTFP is not based upon a complete assessment of the shape of services in the future and the resources required to provide them.
- 77 For periods beyond 2012-13, the Council has yet to determine its priorities and evaluate their financial implications. If the MTFP is to be used as an effective financial planning tool, it will need to incorporate the results of this work and clearly identify the actions necessary to address any identified financial shortfall.
- 78 The Council has put in place appropriate monitoring arrangements that involve evaluation and scrutiny of the budget and MTFP at executive board and cabinet, together with scrutiny committees. These scrutiny and monitoring arrangements should be used to secure better alignment between the MTFP, the corporate plan and other strategic plans as they continue to be developed.
- 79 The revised MTFP for 2013-14 to 2016-17 is more closely aligned with other strategies. However, over the past year, the Council has been without a Head of Asset Management so some of the more strategic aspects of asset management have not been progressed as quickly as the Council would like and opportunities to maximise efficiencies have potentially been lost. For example, the Council needs to develop a new asset management plan for 2014 and beyond, and there has been a lack of drive to ensure service asset management plans are developed and updated. The former Head of Property Services has recently been appointed as the Head of Property and Estates, and will take on more of the strategic aspects of asset management in this role.
- 80 Elements of the new corporate asset management system have now been implemented or are due to be implemented shortly which will enable the Council to better manage and maintain its property portfolio more strategically.

- 81 The Property and Estates team, which are now amalgamated, were involved in the development of the Council's MTFP, and the Finance and Estates teams continue to work closely together with respect of the Council's capital programme. The Estates team has developed a capital allocation project appraisal approach to help the team assess the viability and prioritisation of projects, such as community asset transfers. This approach has not yet been adopted corporately and the Finance team continues to use a different risk matrix, in consultation with Estates, to determine whether projects will be included in the capital programme. The Council recognises that further work is needed on capital options appraisal so that members can make fully informed decisions on the capital programme.
- 82 The Council's people strategy was approved in April 2012 and is being updated to align with the Council's MTFP. Workforce development plans have been incorporated into the 2012-13 and 2013-14 strategic service plans for each service. These workforce plans will be used to inform the update of the people strategy. It is not yet clear, however, how these workforce plans are being used to influence the MTFP and asset management plan.

### The Council is working jointly with Rhondda Cynon Taf County Borough Council to develop a more strategic and coordinated approach to public engagement

- 83 Together with Rhondda Cynon Taf County Borough Council, the Council secured European Social Fund (ESF) funding in July 2012 to establish a joint consultation engagement project that would enable a coordinated partnership approach to consultation activity across and between the local service boards. Specifically, the project would deliver a resource to coordinate the approach in Merthyr Tydfil, an online consultation hub, a Consultation and Engagement Strategy and Toolkit, appropriate staff training and a Citizens' Panel.
- 84 The consultation hub, which will enable both councils to see what consultation is going on and help plan and coordinate future consultations, is due to go live shortly and will be used as a pilot for an all-Wales model with the WLGA. The Council still does not have an engagement strategy, but the development of a single integrated plan requires a comprehensive approach to engagement and the intention is to build on this. The option to develop a joint engagement strategy with Rhondda Cynon Taf is also being considered. Plans are also underway to establish a joint Citizens' Panel and part of the ESF funding will be used to appoint consultants to help with this. An action plan is in place setting out the key activities and milestones of the project, and regular progress reports are provided to



the Welsh Government and to the Welsh European Funding Office. A Joint Merthyr Tydfil and Rhondda Cynon Taf Steering Group has also been established to monitor and inform the programme.

- 85 The Council actively uses social media such as Twitter and Facebook, and the Council launched *Merthyr Noise* in June 2012 which is an information-based website aimed at 11-25 year olds. The Council was nominated for a national CLIC award for this website.

### The Council has failed to comply with its requirement to make arrangements to secure continuous improvement

- 86 Many of our previous proposals for improvement relate to the Council's corporate planning and self-evaluation processes, and evidence from our work this year and that of Estyn indicates that the Council has made insufficient progress in improving its performance management arrangements.
- 87 There are areas where performance has been reported positively and external regulators have commented favourably on the Council's self-assessment, most notably the report of the CSSIW. However, the Council appears unable to learn from areas of good practice, and a lack of robust self-evaluation of corporate and service performance leads us to conclude that the Council's arrangements are too ineffective to secure continuous improvement. In the case of education services, the ineffectiveness of these arrangements has had significant consequences for the Council and the citizens of Merthyr Tydfil.

88 We have reached this conclusion because:

- the Council has discharged its statutory improvement planning duties but more work is needed to develop measures of performance that clearly define what success will look like, and to refine arrangements to monitor and drive improvement;
- there is significant work to do to align the MTFP, asset management strategy and workforce strategy if they are to be used to fully inform and support the achievement of the Council's priorities;
- a clear framework to monitor performance is in place and performance data is widely reported, but weaknesses in the quality and evaluation of data mean that the Council is unable to robustly challenge performance or decide what it needs to do differently to improve; and
- the Council's arrangements for self-evaluation are not rigorous enough to support continuous improvement or provide citizens with a coherent picture of its performance in delivering its corporate improvement priorities.

# Appendices

## Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is informed by a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. This report also summarises the Auditor General's conclusions on the authority's self-assessment of its performance.

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the relevant authorities and Ministers, and which he may publish (under section 22). This published *Annual Improvement Report* summarises audit and assessment reports including any special inspections (under section 24). This will also summarise any reports of special inspections.

An important ancillary activity for the Wales Audit Office is the coordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2

### Useful information about Merthyr Tydfil and Merthyr Tydfil County Borough Council

#### The Council

The Council spends approximately £111 million per year (2011-12). This equates to about £2,025 per resident. In 2011-12, the Council spent £13 million on capital items.

The average band D council tax in 2011-12 for Merthyr Tydfil was £1,342.04 per year. This has increased by 2.5 per cent to £1,376.09 per year for 2012-13. Ninety-three per cent of Merthyr Tydfil's housing is in council tax bands A to D.

The Council is made up of 33 elected members who represent the county borough and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 7 Independent Group
- 1 Merthyr Independent
- 24 Labour
- 1 UK Independence Party

The Council's Chief Executive is Gareth Chapman.

- Corporate Director – Community Services: Gio Isingrini
- Corporate Director – Customer Services: Gary Thomas

#### Other information

The Assembly Member for Merthyr Tydfil and Rhymney is Huw Lewis (Labour).

South Wales East Regional Assembly Members are:

- Mohammad Asghar, Welsh Conservative Party
- Jocelyn Davies, Plaid Cymru
- William Graham, Welsh Conservative Party
- Lindsay Whittle, Plaid Cymru

The Member of Parliament for Merthyr Tydfil and Rhymney is Dai Havard (Labour).

For more information see the Council's own website at [www.merthyr.gov.uk](http://www.merthyr.gov.uk) or contact the Council at Civic Centre, Castle Street, Merthyr Tydfil, CF47 8AN.

## Appendix 3

### Appointed Auditor's Annual Audit Letter

Gareth Chapman  
Chief Executive  
Merthyr Tydfil County Borough Council  
Civic Centre  
Castle Street  
Merthyr Tydfil  
CF47 8AN

Dear Mr Chapman

#### Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

#### The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 28 September 2012 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 24 September 2012.

The Council's Estates team undertook an exercise during the year to ensure that title deeds held were appropriately matched with assets identified on their asset register in advance of the implementation of a new asset management system in 2012/13. This exercise identified in excess of two hundred parcels of land registered as owned by the Council which were not recorded on the asset register, and were therefore not valued within in the draft financial statements. As a result of the work undertaken by the Estates team, land assets with an aggregate value of £587,000 were valued and included within the final financial statements.

Management has indicated that from 2012/13 the Council will be moving to a 5 year rolling programme of formal valuations beginning with a full valuation of all land and buildings at 31 March 2013 which complements the implementation of the new asset management system.

For the first time this year the financial statements were prepared on a group basis in order to incorporate the Council's share of assets, liabilities, income and expenditure in respect of the Education and School Improvement Service (ESIS) and Llwydcoed Crematorium Joint Committee. The accounts show amounts for the Council as an individual entity and for the group as a whole.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report. I would like to highlight the following specific areas in this letter:

- The financial outlook for the Council remains very challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. The Council continues to work on the identification of further savings.
- 33 grant claims were certified by PwC in respect of 2010/11. Of those 20 were unqualified without amendment, six were unqualified with some amendment to the final figures, one required a qualification with no amendment and the remaining six were qualified and required some amendment to the final figures.
- We continue to be able to place reliance on the work of Internal Audit.



I issued a certificate confirming that the audit of the accounts has been completed on 22 October 2012.

The financial audit fee for 2011-12 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of additional unplanned audit work in respect of the valuation of land and property assets identified by the Council towards the end of the audit process.

Yours sincerely

**Kevin Williams (PwC LLP)**  
**For and on behalf of the Appointed Auditor**

28 November 2012

## Appendix 4

# Merthyr Tydfil County Borough Council's improvement objectives and self-assessment

### The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2012-13 in its *Corporate Plan 2012-2013* which can be found on the Council website at [www.merthyr.gov.uk](http://www.merthyr.gov.uk). They are:

Corporate priorities 2011-12	Priority outcomes 2012-13
Social, Economic & Physical Regeneration, including assisting residents to gain employment and the regeneration of the County Borough.	People in Merthyr Tydfil benefit from a strong, sustainable and diverse economy.
Good Quality Social Care Allows People a Better Quality of Life, including the building of two new residential homes and an Extra Care Facility.	People, who live, work in and visit Merthyr Tydfil are safe and feel safe and are supported to enjoy a healthier and better quality of life.
Lifelong Learning Opportunities are of a High Quality, including the development of the Merthyr Learning Quarter.	People in Merthyr Tydfil have the opportunity and aspiration to learn and develop their skills to maximise their potential.
Community Safety, including a focus on anti-social behaviour.	People enjoy a vibrant, attractive and sustainable environment in which to live, work, play and visit.
Infrastructure, including improving the highway network.	
Efficient Public Services, including improving customer services and the rationalisation of office accommodation.	
Good Quality Housing, including the development of affordable housing.	
Recycling & Waste Management, including a move to weekly recycling and fortnightly refuse collections.	

## The Council's self-assessment of performance

The Council's self-assessment of its performance during 2011-12 can be found in the Council's Performance Report which is available on the Council's website at [www.merthyr.gov.uk](http://www.merthyr.gov.uk) under the 'Council and Democracy' section.

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