



WALES **AUDIT** OFFICE
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Powys County Council

Report by the Auditor General for Wales

Preliminary Corporate Assessment – July 2010



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Image courtesy of Powys County Council.

The Auditor General's Corporate Assessment Team for Powys County Council was led by Colin Davies (Improvement Assessment Lead) and Jackie Joyce (Improvement Assessment Coordinator) under the direction of Jane Holownia (Partner).

Powys County Council's (the Council) commitment to move from traditional departmental delivery, which has struggled to deliver its priorities, to a more ambitious, cross-cutting and consensual approach has potential to deliver improvement provided effective supporting arrangements are developed promptly

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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 (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). 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. 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 Council’s arrangements likely to secure continuous improvement?’
- 7 The conclusion arising from our first Corporate Assessment is that the Council’s commitment to move from traditional departmental delivery, which has struggled to deliver its priorities, to a more ambitious, cross-cutting and



consensual approach has potential to deliver improvement provided effective supporting arrangements are developed promptly.

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 a recent history of change and has not consistently delivered its priorities in some areas but its developing Strategic Change Model (SCM) has the potential to support improvement, if it is promptly developed and carefully managed.
- The new leadership and management arrangements are communicating a vision and strategy and are helping increase engagement but progress may be slowed by weaknesses in the arrangements to support delivery of the strategic change agenda.

9 As this is a 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 coming months to provide an update in our Annual Improvement Report to be issued in November.

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 or to recommend 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

11 The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure but areas for improvement are suggested below.

Exhibit 1: Areas for Improvement

P1 The Council should, as a matter of priority:

- develop programme initiation documents (PIDs) for each of its improvement and efficiency priorities to clearly identify the action plans and resources needed to deliver the improvement objectives, including key milestones and outcome measures;
- formalise a communication strategy to ensure that all staff understand what is required of them in relation to the SCM; and
- publish its Improvement Plan so that citizens know and understand what the Council is seeking to deliver.

P2 Financial and Workforce Planning

- develop financial and workforce planning arrangements to ensure that resources are allocated, monitored and reviewed in line with agreed priorities in the SCM; and
- further develop the Medium Term Financial Plan (MTFP) to include details of how savings will be achieved and incorporate these within the relevant service plans.

Exhibit 1: Areas for Improvement

P3 Performance Management

The Council should strengthen aspects of its performance management arrangements by:

- developing outcome measures that demonstrate how and to what extent the Council is making a difference to the lives of Powys citizens; and
- linking strategic and service improvement planning with the MTFP and other key plans and priorities for improvement.

P4 Partnerships

- Support the LSB in completing the review of the Community Strategy and the development of the Single Delivery Plan (SDP) ensuring that it contains measurable outcomes for the citizens of Powys.



Part 1: How the Council has approached improvement over time

The Council has a recent history of change and has not consistently delivered its established priorities in some areas but its developing Strategic Change Model has the potential to support improvement, if it is promptly developed and carefully managed

The Council has not consistently delivered its long-standing priorities in some key service areas and its progress in other areas has been slow

The Council's Aim High programme to deliver its improvement objectives has, in the past, only applied to selected priorities

12 The Council established its Aim High Powys programme in 2006 to provide a more co-ordinated approach to major projects. As well as having Aim High projects, the Council also had a number of identified priorities.

13 For example in 2009-10 the Council's vision was 'to improve the quality of life for every Powys resident and all those who visit our county' and its priorities were, in priority order:

- promoting health and social care and wellbeing;

- ensuring learning opportunities for all;
- supporting economic and social development; and
- enhancing the natural and built environment.

14 There was also an overarching priority to improve corporate health.

15 There were seven Aim High projects namely: social services modernisation, schools modernisation, asset based service programme, access to services, ICT strategy, culture and skills and support services modernisation.

16 The distinction between Aim High projects and other council priorities and activities has in the past led to some staff feeling disengaged and a general perception that 'priority one gets all the resources'. Senior managers and politicians have recognised this situation and are adopting an engagement approach in which all Council priorities will be included in the Aim High programme management regime in future.

The Council has achieved improvements in some services but not all and the rate of improvement has slowed

17 In October 2009¹ we reported that the Council achieved the majority of the targets it set out in its 2008-09 Improvement Agreement, but that the rate of improvement against both the Council's Corporate Improvement Plan targets and the national sets of performance indicators slowed (see Exhibit 2). The Council met

Exhibit 2 - The rate of improvement has declined

Percentage of Indicators Improving			
Year	Powys CIP targets (excluding those without comparative data)	National Strategic Indicators (excluding those without comparative data)	Core Indicators (excluding those without comparative data)
2006-07	58%	57%	56%
2007-08	65%	59%	56%
2008-09	55%	53%	54%

Source: Powys CC Corporate Improvement Plans

only 45 per cent of its Corporate Improvement Plan targets in both 2009-10 and 2008-09 compared with 73 per cent in 2007-08. In 2008-09, in the areas of Corporate Health and Improving the Built Environment, more indicators showed performance declined than improved.

18 As part of our overall Improvement Assessment we will be undertaking a Performance Assessment during the summer and autumn of 2010 to assess whether the Council has improved in its priority areas and how the newly developing corporate arrangements are supporting improvement and delivery of the SCM.

The Council has a new management team and political administration which is committed to changing services for the better and making best use of available resources

19 The Council has recently seen significant changes in managerial leadership and political arrangements. In January 2010 the new management team, including a new Chief Executive, were appointed within the new management structure which comprises the Chief Executive and four strategic director posts for; Care and Wellbeing, Finance and Infrastructure, Law and Governance and Communities, Skills and Learning plus a Director of Performance, Partnerships and Modernisation. The new structure is significantly different from the previous structure which comprised the Chief Executive, two Executive Director posts (People and Wellbeing, and Organisation and Regeneration) and a Head of Finance and Corporate Performance. It is too early to comment on whether the new



arrangements will foster effective cross organisational working and assist improvement.

change as well as making savings - in the order of £16 million over the four year period from now to 2014-15.

20 The Council operates under the fourth option with a Board of 15 members. In November 2009 an administration was formed by the Powys Independent Alliance and the Welsh Liberal Democrats. The administration has had an impact upon decision making particularly the setting of the budget for 2010-11. It was the first time in a number of years where there was some certainty/clarity about the direction and outcome of the budget proposals.

21 The new leadership has agreed and launched a strategic change management programme to transform service delivery and make significant financial savings. In February 2010 the Board agreed to consult political groups on the new Council vision and SCM. In May 2010 the Board agreed the new vision, SCM and PIDs which cover the improvement and efficiency priorities.

22 The newly agreed Council vision is 'Efficient Services for the Green Heart of Wales' and the SCM identifies the following four improvement priorities; adult living, learning in the community, regeneration, climate change and six efficiency priorities; process, ICT, workforce, support services, assets and regulation.

23 The strategic vision and the change model were launched to managers at a Leadership Conference held in March 2010.

24 The Council is aware that it needs to improve services for citizens in a difficult financial climate. Its approach to this has been to develop its SCM which is focussed on both service

Achieving the Council's ambitious objectives will be difficult without simple and effective supporting arrangements delivered quickly by the new leadership

25 In February 2010 heads of service were required to produce service strategies based on the high level improvement and efficiency priorities. This approach, led by the Chief Executive, is an attempt to begin to change the culture in Powys and move towards an engagement model where all staff are involved in both the development and delivery of the Council's priorities.

26 Although the improvement and efficiency priorities are clear, they are at a very high level. Work has commenced to develop PIDs for each priority which should provide more detail and clarity about the plans and resources needed to deliver both service improvements and savings. The Council is planning to have independent verification² of its programme structures to ensure that they are appropriate to deliver benefits.

27 The Council has yet to develop the milestones and measures necessary to monitor and evaluate progress towards achieving its objectives. It has not yet published its Corporate Improvement Plan. It is critical that the Council addresses these issues promptly and is confident that its arrangements are appropriate to monitor and deliver improvements.

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

New leadership and management arrangements are communicating the Council's vision and strategy and helping increase engagement but progress may be slowed by weaknesses in arrangements to support delivery of the strategic change agenda

The new management team is providing clear corporate leadership and supporting positive partnership working but is only beginning to develop the detail of its strategic change programme and business planning arrangements

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28 The Board has clear priorities as set out in the SCM. The Management Team, although new in its formation, is providing leadership in developing these priorities. The Chief Executive has met with staff in a number of

forums, for example, the Leadership Conference and road shows, to explain the SCM and its development and importance to the future of the Council. Whilst such communications have been effective, the Council has not yet developed a communication strategy to ensure that all staff understand what is required of them and continue to engage in relation to the SCM.

29 The Strategic Directors and other senior managers have been allocated as lead officers for the 10 priorities in the SCM and have also been charged with communicating with staff and explaining the approach to its development.

30 Service managers in February were asked to develop service strategies based on transforming services whilst making significant financial savings. These service strategies are being used to develop PIDs for the 10 priorities. Because these PIDs have not yet been developed the organisation is rolling forward the current business plans as the budget for 2010-11 has already been set.

The new management team is supporting positive partnership working

31 Although the SCM was developed without direct input by partners or subject to citizen consultation the Council believes that it does reflect the priorities of the LSB and is a pragmatic approach to managing council services in a difficult financial situation.



32 The Local Service Board was constituted in April 2009. It is currently reviewing the Community Strategy and the Council is suggesting the development of a SDP for Powys. To date this has not happened and there appears to be some confusion within the LSB as to the purpose of the plan and what it will incorporate. Because of the stage of development of both the SDP and the SCM it is not yet possible to see a clear connection between them and with service level business plans. However, the Council needs to become far better at identifying the outcomes it is seeking from partnership working.

33 The Council has a positive and increasingly pragmatic approach to partnership working which is leading it to identify future opportunities for joint working that will deliver improved services and savings, particularly with health. The Council's agreement in principle to pursue a merger with the Local Health Board is innovative and the Council has held open a number of positions within its management structure while the merger is explored further.

34 Commitment to working with partners is evident but the Council needs to ensure that partnership arrangements are delivering real benefits for the citizens of Powys.

35 We will undertake further work around partnerships and in particular the LSB and Health as part of our ongoing Improvement Assessment work with the Council to see what outcomes for citizens are being and will be delivered.

The Council has a sound track record of budgetary control but service and financial planning arrangements are not well integrated and longer term financial planning is not yet adequate to support its strategic change agenda

The Council has a sound track record of budgetary control but longer term financial planning is not yet adequate to support the Council's strategic change agenda

36 The Council has generally demonstrated sound budgetary management and the level of reserves are appropriate. The funding the Council received from the Assembly Government for 2010-11 was £181.2 million, representing an increase of 1 per cent over the previous year. The average increase for Welsh Councils was 2.1 per cent and the range of increases was from 1 per cent to 3.1 per cent. The Council's 2010 11 budget includes an investment of some £2.5 million for social services, and anticipates savings and efficiencies in the order of £3.4 million.

37 Like many other public sector organisations, the Council expects to face a continued difficult financial environment. As part of its response it has, in the SCM, identified six efficiency priorities³, although these priorities have yet to be fully developed and the Council does not yet know what they will generate in terms of savings. Not only is the Council looking at particular efficiency priorities but as part of its four improvement objectives it is reviewing how services are delivered. However, as mentioned above this work is at an early stage.

³ Process, ICT, workforce, support services, assets and regulation

38 The Council is also commissioning a piece of work that gets behind the reasons for continual overspends, particularly in adult social care and non-delegated schools budgets for statementing and additional learning needs.

39 The current MTFP is at a high level and does not have sufficient detail about how resources are to be allocated to priorities. The Council will need to improve financial planning so that there are clearer links to its improvement and efficiency priorities if it is to better align its resources to deliver its SCM.

40 In October 2009⁴ we recommended that the MTFP should be further developed to include detailed plans of how savings would be achieved and be embedded within service plans. The Council has yet to fully implement this recommendation.

The Council's service and financial planning arrangements are not well integrated

41 The Council recognises that there is a need to better integrate its service and financial planning arrangements. The current approach to developing service strategies and PIDs appears to be a good framework enabling the Council to look across its four improvement priorities and its six efficiency priorities rather than just narrowly looking at individual services.

42 The approach is appropriately one of staff engagement, encouraging service areas to identify and buy-in to service redesign and efficiencies. But, as the Council is still developing its SCM it is too early to judge if these arrangements will result in improved and integrated service and financial planning which will support the Council to deliver its priorities.

People management is still underdeveloped and not helping the Council deliver improvement

43 The Council has recently implemented new staffing and management arrangements. There have been new managerial appointments including some posts identified as interim, for example Strategic Director – Care and wellbeing, and Head of Adult Services and Commissioning. These and other posts have been identified as potential shared posts as the Council and Local Health Board explore the ways in which they can work closer together following the decision in principle to merge the two organisations.

44 We undertook a review of capacity and capability during 2009⁵ and found that although the Council had made some promising developments it had not put in place plans to ensure that it had the necessary staff capacity and capabilities to deliver its improvement agenda.

45 The Council introduced a leadership development course as a direct response to identifying that it had weaknesses in leadership. The programme was well received by staff but it is not clear how the Council plans to fully utilise these new skills. Three⁶ Action Learning Sets have been created with volunteers to look at particular issues, but it is not yet clear to those involved how these activities will contribute to the SCM.

46 Although the Council has revised all its HR policies during the last three years and now has a more inclusive approach to reviewing policies, it needs to ensure that it has a comprehensive suite of policies that will support its SCM.

⁴ Wales Audit Office Annual Audit Letter for 2008-09

⁵ Review of Capacity and Capability Wales Audit Office April 2010

⁶ Organisational re-design, Redeployment and the Locality Model



47 Despite the Council recognising the need to have effective workforce planning since 2006-07 it still has not developed effective workforce planning arrangements at either a service or corporate level. Workforce is one of the six efficiency priorities within the SCM but as mentioned previously the development of the PID is at an early stage.

Performance management arrangements are not adequate to support delivery of the cross cutting change programme

48 The Council has a developed model for producing performance information. Current performance management arrangements provide it with a basis which with further development, can enable it to manage, monitor and evaluate performance in terms of outcomes for citizens. The Council continues to make improvements in the accuracy of its National Strategic Indicators as recognised in Annual Audit Letters.

49 The Council has a dedicated central team which undertakes performance monitoring and produces a number of trackers, for example, the Corporate Improvement Tracker. 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. The Strategic Management Board meet quarterly to review both service and financial performance.

50 At the moment there is a hiatus in the Council's performance management regime in the absence of an agreed Corporate Improvement Plan containing key performance measures and targets. This is adversely impacting upon the design,

development and implementation of the Ffynnon system and clearly impacts on what the Council is currently monitoring and managing in terms of the performance of its services.

51 The Council needs to move towards outcome based measurement in assessing the delivery of its SCM. This would complement the existing monitoring of performance indicators and activity and would crucially provide some means of measuring outcomes for the citizens of Powys.

52 Managers need to recognise that performance management is about managing people as well as the necessary collection of information. The Council has been aware of the varied and inconsistent approach to undertaking staff appraisals. Last year a specific performance indicator was introduced to measure the number of completed appraisals for office based staff. The fact that only 5.8 per cent⁷ of staff had a completed appraisal recorded on Trent in 2009-10 suggests the Council still has some way to go before this aspect of performance management is embedded into everyday management.

53 The Council has an Action Learning Set, comprising managers from all parts of the organisation, that is investigating and evaluating the range of approaches adopted across the Council to improvement. Approaches include Business Process Reengineering and Vanguard (systems thinking). The Council has used systems thinking in its Highways Service and officers are using the information gathered to understand and improve business processes and services.

The Council has started to put building blocks in place to allow ICT to support improvement, but significant barriers remain to be addressed

54 Until very recently, the ICT service in the Council was underfunded. There was little evidence of a coherent strategic direction and little effective engagement with the rest of the Council. The ICT was sidelined and not considered as a key service improvement enabler. Survey results consistently showed ICT staff reported feeling undervalued and there was a low overall level of IT awareness amongst Council staff. Historically, developments in ICT have been piecemeal and ICT staff are still spread across many service areas as well as within the central ICT team itself.

55 A change of management within ICT has provided an opportunity for a change of approach. The new Head of ICT is providing good leadership for the ICT service and a strong focus on corporate service improvement. A new strategy for ICT has been developed and agreed by the Council, supported by a three year funding plan.

56 The strong focus on service improvement and efficiencies provided by the Council's developing SCM, complemented by a formal ICT governance framework with reporting mechanisms in place has the potential to allow a much higher level of alignment between the ICT service, the corporate strategy as a whole and service delivery teams.

57 However, despite these structural changes, there are still many barriers which remain to be addressed before the new approach to ICT can begin to play a full part in the Council's improvement agenda. These include; a culture resistant to change, obsolete ICT infrastructure, lack of standardisation and limited resources allocated to information governance.

