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Caerphilly County Borough Council

Report by the Auditor General for Wales

Preliminary Corporate Assessment – August 2010

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Image courtesy of Caerphilly County Borough Council.

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Caerphilly County Borough Council (the Council) is building upon generally sound arrangements and recognises the need to strengthen its plans and performance in some key areas to meet the challenge of achieving future improvements.

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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 council to be undertaken in a standardised way. Taken together these two assessments will form the basis of an annual report to citizens, known as the Annual Improvement Report.

4 The Auditor General has brought together her work, that of the Appointed Auditor, and that of other relevant regulators, to inform the Corporate Assessment. As this is the first year of a new approach the assessment is a preliminary one and this report should be viewed as a progress report. The Annual Improvement Report will also serve as an update for the Corporate Assessment.

5 In March 2010, the Auditor General identified the scale of the financial challenge facing public services in Wales in a report to the National Assembly 'A Picture of Public Services.' The potential impact of spending reductions on local government has also been highlighted by the Welsh Local Government Association (WLGA), Chartered Institute of Finance and Public Accountancy (CIPFA) and Society of Local Authority Chief executives (SOLACE). In evidence to National Assembly 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'.

6 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. The corporate assessment has been prepared in this context.

7 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?'

8 Where the Council's arrangements to secure improvement are developing, we will continue to monitor progress and where necessary, will provide an update in our Annual Improvement Report to be issued in November 2010.

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

10 The conclusion arising from our first Corporate Assessment is that **the Council is building upon generally sound arrangements and recognises the need to strengthen its plans and performance in some key areas to meet the challenge of achieving future improvements.**

11 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's arrangements have resulted in improvements in the past but it faces significant risks and challenges going forward; and
- some of the Council's arrangements are supporting improvement but there is scope to further develop others to achieve the scale and pace of change required.

Areas for improvement

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

Exhibit 1: Areas for improvement
P1 Finalise and publish improvement objectives, currently in draft, and update the Corporate Improvement Plan (CIP) to clearly set the Council's vision and priorities for the future.
P2 Improve systems to support delivery of corporate priorities by: ▪ making certain that Service Improvement Plans (SIP) focus on delivering the Council's Corporate Improvement priorities; and ▪ ensuring SMART targets are set that are focussed on delivering corporate plan priorities.
P3 Improve the management of performance by: ▪ establishing a comprehensive range of indicators to measure improvement that are clearly focussed on operational service management; ▪ evaluating performance to identify areas and opportunities for improvement; and ▪ ensuring managers are equipped with the necessary skills to be able to hold their staff to account and address areas of poor performance effectively.

Exhibit 1: Areas for improvement

P4 Ensure plans and services are aligned to support the improvement programme by:

- agreeing the options and develop detailed plans to address the predicted budget deficit;
- undertaking a cross county workforce planning exercise to agree future staffing needs, including collaboration with other public sector agencies;
- improving how the Council monitors and evaluates the effectiveness of partnerships to ensure they are contributing to delivery of corporate priorities;
- strengthening its risk management arrangements in light of emerging challenges;
- developing and adopting an asset management strategy to meet the Council's future needs;
- improving the consistency with which plans reflect how the Council engages and responds to the needs of its communities and citizens;
- completing its review of HR policies and procedures and determine how these will be embedded across the organisation; and
- creating robust HR management systems to support the cultural change taking place within the Council.

P5 Train and support the Audit Committee to ensure the Council is discharging its statutory responsibility to have arrangements in place to secure continuous improvement in its functions.

Part 1: How the Council has approached improvement over time

The Council's arrangements have resulted in improvements in the past but it faces significant risks and challenges going forward

The Council has secured some improvements in the past

13 Caerphilly is the fifth largest authority in Wales in terms of geographic size and serves 170,000 residents in the County Borough. It has a divergent demographic profile with a higher proportion of children and of people of retirement age than Welsh averages. It has the second lowest employment rate in Wales and comparatively higher level of deprivation. The percentage of pupils entitled to free school meals (21 per cent) is the sixth highest out of the 22 local authorities in Wales. Three-quarters of the Council's wards are included in the 50 per cent most deprived areas of Wales, although the County does not have large concentrations of areas of very high deprivation compared with other welsh authorities.

14 The current administration lacks an overall majority and is led by a Plaid Cymru/Independent coalition. This sometimes means decisions can take longer, as greater time is needed to engage earlier in debates to reach an agreement between different political groupings.

15 The Council has a good record of accomplishment of delivering major capital projects including the building of its headquarters in Ystrad Mynach. The Council has recently completed its equal pay and job evaluation processes. The most recent Estyn inspection overall reported positive conclusions on the Council's education services. Likewise the Focussed Review of Social Services found that services were generally becoming increasingly effective.

16 The Council is continuing to improve its performance. Of the 38 indicators set by the Assembly Government for 2008-09, 53 per cent either equated to or exceeded the All Wales average. Caerphilly ranked in the top quartile for Welsh local authorities in 2008-09 for approximately 26 per cent of its performance indicators, compared to 17 per cent in the previous year. For 46 per cent it was in the median range compared to 48 per cent in the previous year and for 28 per cent in the bottom quartile compared to 35 per cent in the previous year. Over 75 per cent of comparable National Strategic indicators (NSI) have improved in 2008 09.This represents consistent annual improvements in performance when compared with previous years.

17 The Council has 73 members and operates a cabinet system with eight members on the executive drawn from a coalition of Plaid Cymru and Independent members. The Cabinet consists of a leader, two deputies and six cabinet members with responsibilities for Education and Leisure; Environment and Housing Services; Human Resources and

Constitutional Affairs; Performance Management; Finance, Resources and Sustainability.

18 The Council has a total workforce of approximately 9,000 and is the largest employer within the County Borough. Annually the Council spends approximately £315 million on the day-to-day running of services and £13.9 million on capital investment in Council property, roads and information technology. The Council has identified a £45 million maintenance and repair backlog for council buildings (excluding the housing stock) and is completing a detailed Asset Management Plan (AMP) to be put before Members in the autumn 2010.

The Council is aware of future financial challenges and has recognised the need to improve its arrangements to respond to them

19 In common with other authorities, the Council faces significant financial and service delivery pressures. The Council is well run financially and to date has been in a healthy financial position, including a good level of reserves. It is building on this position in developing its medium term financial plan. However, it now faces significant financial and service delivery pressures going forward. The Council has agreed a timetable to finalise its plan by October 2010. Its approach to disinvestment and reinvestment is evolving and will need to set out how it will address the estimated revenues shortfall of approximately £35.7 million.

20 The Council has reduced its staffing numbers by 140 posts through vacancy management, service restructuring and deleting vacant posts. The Council intends to make further significant financial savings going forward. The Council recognises the need to improve workforce and succession planning arrangements, which will be essential in supporting the Council to continue to improve because a third of the Council's workforce is over 50.

21 In December 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council. He concluded that reviews indicate that the Council is securing improvement, although further work is required to ensure that all services contribute towards the achievement of corporate objectives and that appropriate corporate arrangements are in place to support them.

The Council needs to sharpen its focus on its key priorities and services in the context of developing its medium term financial plan and ensure that its strategies and arrangements are aligned to help deliver these

22 The Local Government (Wales) Measure 2009 requires Welsh local authorities to make arrangements to secure continuous improvement and to account for it. This involves publishing plans for improvement that include improvement objectives. The Council is in the process of determining its improvement objectives for 2010 11 and intends to publish these in the summer of 2010.

23 A number of major projects are either planned or underway to improve services within Caerphilly. These include capital projects such as a major road improvement scheme planned for Ystrad Mynach, improvement in school assets linked to the 21st Century Schools initiative, and work on rationalising council buildings

to reduce maintenance backlog and improve service delivery. In addition, there are also a number of service development projects taking place within the Council that will significantly change delivery of services in the future. These include proposals for transferring the council housing stock and further work on citizen engagement.

24 Going forward into an era of reduced public finances and the need for greater collaboration, both within and between public agencies, it is essential that an integrated approach to planning and delivery is developed to support improvement. To date, the Council has not developed, managed and delivered projects as part of a corporate transformational programme. For example, key strategies such as asset management, medium term financial planning and workforce planning are not integrated to ensure that there is a comprehensive strategy for future resource management within the Council. However, until the Council finalises its draft service priorities, integrating plans will prove problematic.

25 Like other public sector bodies, the Council faces the challenge of managing rising local expectations in an environment of public sector spending cuts. The Council has estimated a budget shortfall of £35.7 million over the next five years. Options to address this are currently being consulted upon and will inevitably require reduction in levels of service provision and delivery. The Council's traditional approach has served it well but the magnitude of the financial situation may warrant a more radical and transformational approach to meet the challenges ahead.

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

Some of the Council's arrangements are supporting improvement but there is scope to further develop others to achieve the scale and pace of change required

The Council demonstrates aspects of good leadership, partnership working and budget management but the challenges ahead require further improvements, particularly in some areas of governance, citizen engagement, planning and performance managementt

The Council has sound leadership but aspects of governance need to improve to meet the significant challenges ahead

26 Votes in full Council are often finally balanced but despite lacking a political majority, the Cabinet has shown maturity and has managed to get some difficult decisions through Council. For example, the decision to ballot tenants on the future of the Council housing stock. This leadership is underpinned by an effective working relationship between the Cabinet and Corporate ManagementTeam where there is a mutual respect and a high degree of trust.

27 The Council's Chief Executive, who has been in post for five years, has recently tendered his resignation with a view to leaving the employment of the Council by the end of the calendar year. The CMT currently consists of the Chief Executive and four directors covering Corporate Services, Education and Life Long Learning, Social Services and the Environment. Three of the four Directors have been appointed since 2006. To avoid silo-based working, the Corporate Directors each have responsibilities for key strategic themes which require effective cross directorate working and engagement. For example, the Director of Environment is the Older People's champion. The Council decision of 2 July 2010 to appoint a new Chief Executive will require significant changes to the current senior management arrangements.

28 The Council's Audit Committee has responsibility to ensure that arrangements for good governance are in place and operate effectively. To date, it has focused on financial accounting governance and controls. However, the Audit Committee needs to exercise greater oversight of non-financial governance and controls and should ensure that a comprehensive suite of plans and policies that support improvement are in place, up to date and operating effectively. The Audit Committee should also ensure that the Council's priorities, improvement objectives, projects, risks and performance are subject to appropriate scrutiny, challenge and evaluation. The Council should ensure the Audit Committee is appropriately trained and supported to discharge these responsibilities.

29 From 2010-11 the Council's annual financial statements will need to disclose an Annual Governance Statement, in place of the Statement on Internal Control. A fundamental support for the Governance Statement is the requirement that local authorities have in place a Code of Governance, setting out their governance principles and arrangements. In April 2010 the Audit Committee adopted a Code of Corporate Governance. The Code is consistent with established good practice[1] and provides a clear focus for the work of the Audit Committee and its role in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. However, whilst the Audit Committee is fulfilling its role in relation to the Code, it is not maximising its potential. There remains a lack of clarity on its role and that of the Policy and Resources Committee.

30 Scrutiny committees, other than Policy and Resources, are based on the four themes of the community strategy. These are as follows:

- Regeneration;
- Living Environment;
- Education for Life; and
- Health, Social Care and Wellbeing.

31 The work of Scrutiny Committees is an area for development. Scrutiny Committees are considered by some members to be ineffective, with large memberships and remits, which results in insufficient time and capacity to enable effective scrutiny of decisions and performance. Some committees have been used as a 'political football', which hampers their effectiveness.

32 There is a forward work programme in place. This is generally officer led, although members can ask for reports to be brought forward. The level of challenge is mixed depending on the subject area being debated and the knowledge and experience of committee members. It can result in members not always focussing on the right issues. Scrutiny committees have also focussed activity on single service issues, or the work of individual departments, rather than the strategic corporate agenda. To address this there has been significant investment in member training, including working with neighbouring councils.

33 All scrutiny committee chairs are from Plaid Cymru and are collectively viewed as effective in managing the work of the committees. Whilst this places the Chairs in a potential position of conflict, as they are scrutinising the administration they are members of, it is primarily a result of the opposition's refusal to nominate their members to become scrutiny chairs.

34 Positively, the work of scrutiny committees is supplemented by a number of task and finish groups. These are set up within committees and allow for intensive scrutiny and review of agreed areas. For example, the review of waste services being conducted by the living environment scrutiny committee. The Council is also working with Newport City Council to develop a joint task and finish group to look at the impact of local procurement within health and local government. Whilst policy development has been undertaken through these groups, their success is mixed. There are few examples of recommendations resulting from reviews being approved by Cabinet, and participating members believe the groups are under resourced.

1 Delivering Good Governance in Local Government published by CIPFA and SOLACE in 2007

The Council has a broad programme for improvement however, the financial climate requires priorities to be more sharply focused on delivering clear outcomes for citizens

35 The Council has a CIP in place, which sets the strategic direction and priorities for the Council going forward. The CIP sets out 13 strategic priorities that are linked to the Community Strategy themes. Development of the CIP was informed by a number of activities including the joint risk assessment (JRA), an analysis of key performance data and the work of strategic partnerships. Progress against the CIP is monitored bi-annually at Cabinet and CMT. Members were engaged in developing and agreeing the Council's corporate priorities last year and these are considered to be well understood within the Council.

36 Performance measurement and management is being strengthened. Ffynnon scorecards for monitoring progress against individual service targets and the CIP are being developed, together with regular performance challenge sessions involving the Cabinet Member for Performance, portfolio Cabinet Members and Directors. Dedicated performance scrutiny committees also take place bi-annually at each of the five scrutiny committees. The Council uses Ffynnon to provide a picture of service performance and is just starting to use exceptions reporting to CMT to highlight declining or under target service performance against NSI.

37 The Council recognises that its needs to obtain more qualitative and outcome performance information to measure the impact its services have upon citizens. Currently the focus of performance management activity is generally on national performance indicators rather than outcomes.

38 Responsibility for developing and co-ordinating delivery of corporate priorities rests with a centralised Performance Management Unit (PMU). Delivery of corporate priorities is coordinated through individual SIPs produced by each service. Planning guidance has been developed for departments including templates for services to use in developing their SIP's. These include a focus on key areas such as sustainability and equalities. The PMU works with the services to develop their SIP's, provide a degree of challenge, ensure corporate priorities such as sustainability and equalities are embedded within services and that links to the CIP are drawn out in proposed improvement activity.

39 The Council has set itself an ambitious programme of improvement and some of the priorities are broadly articulated. For example, given the current financial situation, a more clearly defined set of priorities would allow better targeting of limited resources. This is especially salient, as the Council has not yet integrated its CIP with the medium term financial plan and forthcoming changes in the workforce. Indeed, the Council's corporate strategies are not fully consistent with the Council's financial outlook and this is something the Council is in the early stages of addressing. The introduction of Improvement Objectives under the Measure will assist this process.

40 Measures and performance indicators have been developed for each of the CIP priorities. The Council has positively sought to move away from the sole use of statutory indicators to develop more outcome-based measures to judge performance. However, the relationship between these measures of success, and their links to the strategic aim, proposed work and success criteria, is not always clear.

41 For example, under the priority to 'improve the provision of housing for our tenants,' activity is focussed on increasing the provision of affordable housing within the county borough but includes no performance measures on new affordable housing developed, or an increase in annual lettings. The current indicators do not allow performance on the strategic priority to be measured.

42 Considerable effort was made last year to develop more outcome based indicators, but there is still an over-emphasis on process. For instance under the theme of increasing the viability and vitality of our town centres the proposed work focuses on a number of processes, for example, completing funding applications and look into other funding sources. These processes need to demonstrate more clearly their link to the intended outcomes.

43 The Council acknowledges there is a need to consider whether its strategic priorities are achievable in the current financial climate and to strengthen the links between these and its medium term financial plan. The Council is currently in the process of developing its improvement objectives as required under the Local Government Measure. Going through the process to develop these has helped highlight the need to sharpen the Council's focus on its key areas for improvement, as its current strategic priorities are quite broad in nature.

There is a good track record of partnership working and whilst there are some good examples of citizen engagement, this has not always been consistent

44 The Council has a number of mechanisms in place to engage and consult with its communities. These include a viewpoint panel, a contact centre, annual household surveys, community council liaison committee, a voluntary sector liaison committee and a standing conference. A multi-agency partnership group has recently been established to deliver a citizen engagement action plan which sets out how the Council and communities will work together to achieve progress on the four main community strategy themes.

45 The community strategy was informed by a significant amount of consultation with public, private and voluntary organisations and local communities in its development. A comprehensive and formal review of the first four years of progress in delivering the strategy was recently published. It highlights achievements against each of the objectives under its four themes as well as priorities for the next four years. The review identified where improvement is required and an action plan capturing proposed improvement actions, key dates for action and owners has been developed. The review was conducted via the standing conference that includes over 80 organisations.

46 There are also some good examples of consultation with stakeholders. For example, in setting the budget the Council sought the views of the whole community through its Newsline publication and by use of its viewpoint panel as well as engaging with trade unions, members and others. Key

strategies such as the Health, Social Care and Wellbeing Strategy also reference the results of community engagement and how these will be addressed going forward.

47 Notwithstanding, community engagement remains an area for improvement. The CIP was not discussed and agreed with the viewpoint panel, and service user engagement in determining the Council's corporate priorities has been limited. The extent to which citizens are engaged to feed their views into the development of plans is also not consistent across the Council, and we are unclear if the findings of the annual household survey are used to identify areas for improvement in all services.

48 There has been a lack of stability in the Local Service Board recently, largely due to changes in representation from other organisations. This is partly a result of large-scale changes taking place within, for example, health services in the last 12 months. This has resulted in some confusion over the role of the LSB and whether it is providing clear direction for the future. The Council is at a crossroad with a number of its partnerships and the effectiveness of joint working with other agencies and stakeholders is mixed.

49 Key partnerships are chaired or co-chaired by Council directors and now report to the LSB. The Council has also started to consider the efficiency and focus of partnerships. For example, a development day has been held focussing on ensuring that the statutory strategic partnerships work more effectively together, identify and remove areas of duplication across partnerships, and agree manageable key priorities for the future.

50 There are examples where partnerships work well, such as the Safer Caerphilly Community Safety Partnership, which has won a number of national awards for its joint working, including Excellence Wales. Likewise, the Health, Social Care and Wellbeing partnership, which is taking forward a number of joint projects to transform services for citizens, including the Gwent frailty project and the development of a joint hospital discharge team. Relations with the new Aneurin Bevan Health Board are evolving and both organisations recognise that further work is required to ensure joint working operates as effectively to deliver improvement as in the past.

51 However, other partnerships are not consistently effective. Although the recent review of the Caerphilly Community Strategy has reported significant achievements on the Council's internet site, it is not always possible to demonstrate what real benefits for local residents partnership working has produced. Further work is needed to improve monitoring and evaluation of the effectiveness of partnerships. In recognition of this, the Living Environment Partnership has been restructured and streamlined to give it focus and strengthen its work going forward. We will also undertake further work on partnerships and in particular with the LSB, and with health, as part of our Improvement Assessment work across Wales.

52 The Council is also collaborating with other public sector agencies in the development and reconfiguration of services. These include:

- Project Gwyrdd (Waste) hosted by Cardiff which is focussing on collaborative procurement to reduce individual councils exposure to market risk and escalating procurement costs. It also includes a regional approach to the economic re-use of recycled materials diverted from landfill.
- The ArtsConnect project to establish a single regional shared arts service generating efficiencies and enabling much needed focused delivery and regional planning. The project aims to save 10 per cent of total net expenditure across the seven council partners (£380k) over three years.
- The South East Wales Improvement Collaboration (SEWIC) project including the Children's commissioning unit, which aims to improve outcomes for looked after children and young people, achieve better value for money and increase placement choice. Working together collaboratively has already enabled the councils to achieve £0.6 million savings.

53 The Council determined that it could not participate in the HR shared services project as it had considered that the financial business case was not proven. The Council believes it is on target to achieve the same level of savings identified in the shared services proposals. The Council however has progressed the shared services 'concept' model and has implemented with neighbouring councils collaborative approaches to engaging agency staff, occupational health, and training.

There is a good track record of partnership working and whilst there are some good examples of citizen engagement, this has not always been consistent

54 The Council's budget has been well managed in recent years with clear standing orders and standing financial instructions in place to support the achievement of balanced budgets at both directorate and corporate level. There are clear lines of accountability for budget monitoring with services responsible for ensuring they balance their budgets. Within the budget strategy, service area savings are highlighted for each directorate alongside unavoidable service pressures including changes in demographics, service issues and planning assumptions. Where a service has an under-spend at the year-end, 50 per cent can be kept in the service and 50 per cent is returned to the General Fund. Where there are overspends in one area, heads of service are required to make savings in other areas to balance the budget.

55 Along with other authorities, the Council has identified that it is facing significant financial pressures in the future. It is developing a medium-term financial plan which will need to set out a range of options to reduce revenue spend over the next five years including:

- A reduction in the range and type of services provided. This will include ceasing to provide some services, particularly in discretionary areas, and reducing service provision in both statutory and discretionary areas. Decisions about disinvestment of services have not yet been taken.

- Increasing income through improvements in revenue generation and collection, exploring the introduction of additional charging regimes and maximising all available external funding.

- Maximising opportunities of collaboration and partnership working to save costs including service redesign, delivering services in different ways and outsourcing services for others to provide.

56 The Council is working up its medium term financial strategy and timetable for addressing this predicted deficit. Further work is being undertaken on these and other areas to determine how it will address the funding shortfall. The Council will need to consider the impact of resource shifts upon non-prioritised services. These impacts could lead to reductions in quality, restrictions on availability and access or even the complete cessation of some services. They will also need to be carefully managed and aligned to other key strategic elements such as workforce planning and asset management, if the levels of savings required are to be realised. These decisions will be politically sensitive and challenging.

57 The link between budgets and the Council's priorities has traditionally been informal and not made explicit. For example, whilst there is an understanding that the financial outlook will influence delivery of corporate priorities and other key strategies, there has been no clear link between the CIP and the medium-term financial plan. Likewise, the link between budgets and the Council's priorities could be articulated more clearly. The March 2010 budget report, setting out the indicative medium term financial plan, makes very limited reference to the Council's priorities. Similarly, the links between savings and priorities, whilst being consulted upon, have not yet been finalised. The Council recognises that more work is needed to ensure there is a clear link between corporate priorities, budgets and the performance of services.

58 There is ownership at CMT of the Council's approach to medium term financial planning. There has also been significant member engagement in the development of the medium-term financial plan and members now understand the severity of the financial situation. A Budget Advisory Group is in place to ensure members are engaged in financial management, planning and decision making. The Labour Group has elected not to engage in this process and consequently alternative arrangements have been put in place to ensure the different political groups are informed regularly of the budget situation.

59 Considerable preparatory work has taken place so that the Council has a better understanding of its assets. However, it lacks a strategic AMP or an agreed strategy for rationalisation or improvement of its assets. Consultation on an AMP is planned for the autumn. The current AMP is focussed primarily on backlog maintenance matters and is not integrated with other key strategies such as workforce planning. Whilst it identifies the need for £45 million to address the current repairs backlog, it is clear that the Council does not have these resources available to address these needs. The Council is in the early stages of developing a strategy to address these matters but will be focussing its efforts on transferring asset liabilities, developing joint operational bases with other agencies to reduce running costs, and selling

assets to realise capital receipts. The Council recognises the need to ensure its asset management planning is complementary to work on medium term financial planning and workforce development.

Performance, project and risk management arrangements are in place but need to be strengthened to support further improvement

60 Elements of a performance management framework are in place. There is a Cabinet Member for performance who now meets regularly with Cabinet Members and Directors to challenge their performance. The Cabinet and CMT have also recently discussed how performance management arrangements could be strengthened.

61 Dedicated performance scrutiny committees take place bi-annually at each of the five scrutiny committees. The Council uses Ffynnon to provide a picture of service performance and is just starting to use exceptions reporting to highlight declining or under target service performance. The Council recognises there is limited focus on citizens and very limited information on the impact of its work on citizens and communities, satisfaction and user experience. An over reliance on national performance indicators is not always appropriate and the Council has sought to develop more local indicators.

62 Likewise, a performance management culture is evolving but it is not fully embedded within the Council. Positively the PMU undertakes an internal challenge role, meeting with heads of service and managers at least quarterly to review SIPs, risks and PIs. The use of Ffynnon has also helped reinforce accountabilities and generate greater challenge of performance but interviews with officers suggest that further work is needed to ensure managers have the right skills and confidence to hold their staff to account. Consequently, additional training and support is being provided to develop manager's skills in this area. The Social Services Directorate has its own PMU, which produces monthly performance reports for its DMT. The Cabinet Member also attends the DMT. The unit provides a critical appraisal of performance highlighting good performance and areas for attention.

63 The Council has a new ICT strategy, which has been developed with a consideration of the current financial pressures. The Council has good controls in place in terms of ICT. For example, there is an ICT disaster recovery plan in place which is tested regularly. There has however been limited work undertaken on flexible or agile working and the Council still provides the bulk of its services from within a traditional office based structure.

64 There is a council wide approach to project management that is supported by training, guidance and the use of standard templates. The process is sound but it is not embedded and used consistently across the organisation with some services, such as engineering, being more comfortable with a structured project management approach than others are. Key projects are monitored by CMT.

65 The Council continues to use the JRA approach for identifying and managing risk. Services identify operational risks when developing their annual SIP's, but the quality of outputs varies and is not always comprehensive or robust. There is a tendency amongst services to merely highlight risk and not to focus on mitigation or prevention activity. A corporate risk register is in place and this is updated annually. Threats identified are both potential and existing, and several new threats have recently been identified relating to the financial forecast and organisational changes that will need to take place.

The Council faces significant workforce planning issues

66 The Council's HR service has been required to focus on completing single status and job evaluation. The Council successfully negotiated a single status agreement on its pay and grading structure and has made offers to over 2,500 employees in order to reduce its equal pay liability. The revised pay and gradings negotiations were successful and a collective agreement was signed by all parties and a revised pay and grading structure for NJC staff implemented at the start of the current financial year.

67 The Council's Human Resource (HR) service has recently been reviewed and the Council is now moving to a more strategic led HR service as opposed to its current administrative approach. The HR function has acted as a facilitator by equipping service managers to take the lead on most aspects of human resource management and development and has focused primarily on advising and supporting line managers to deal with day-to-day employee issues. However, changes resulting from the review will result in professional HR staff sitting in directorates and supporting heads of service to strategically manage the future staffing needs of their service. This proposed approach will require very different skill sets, and the changes this brings for both the individuals undertaking these duties and the services themselves, cannot be underestimated.

68 The Council faces a number of significant HR issues to address. These include:

- Sickness absence remains a major issue and the Council has the poorest declared performance out of 22 Welsh local authorities. Whilst new procedures have been introduced in April 2010, including a revised discipline and grievance and managing attendance policies, these are relatively standard in coverage and will need more proactive management to reduce sickness absence.
- A need to reduce the workforce. Some 140 posts have already been deleted through natural wastage and vacancy management.
- The Council recognises that a third of its workforce is aged over 50 and it will need to undertake a skills audit to ensure it has a robust picture of the skills it needs, once the service priorities emanating from the Council's medium term financial plan are known.
- Equipping managers with the necessary skills to manage in an environment of significant change. This is significant given that managers are responsible for managing staff performance, monitoring absence and putting HR strategies into action. Middle managers are the pivotal positions

within the organisation and there is a need to ensure they are engaged and supported to deliver the changes that the Council will need to make in the future. The Council has entered into a pilot with Public Sector Management Wales (PSMW) to host a coaching and mentoring programme to help address this.

69 A people management strategy is in place which sets out expectations of staff and the organisation. Currently it does not include an action plan detailing the actions necessary to deliver improvement, who will lead on them and when they will be delivered. The strategy will need to be linked to the emerging work taking place on workforce planning in order to deliver service changes resulting from the medium term financial plan.

70 Like many other authorities, the Council needs to ensure it integrates workforce planning, both in terms of process and timing, with other corporate planning processes, especially finance, asset management, performance management and service planning. This has not yet been done and remains an area of weakness.

71 Positively the Council has not sought to reduce the level of funding set aside for training this year, although it has been subject to cuts in the past. However despite the age profile of the Council's staff, there are no programmes in place internally that are specifically focussed on leadership and manager development.

72 There has been significant work undertaken to review and update HR policies and forms to address identified operational weaknesses in staff management and support. For example, a new staff appraisal system has recently been adopted and CMT has taking an active role in its promotion and roll out. However, the appraisal forms would benefit from inclusion of behavioural competencies in the scheme so as to get a balance between the 'what' and 'how'.

73 These have not however been rolled out as a part of a comprehensive programme of organisational development and in future, will need to consider issues such as embedding the new performance culture, how the change will be managed and how line managers and staff are encouraged to embrace the new performance tools. The revision of HR policies, tools and advice is the start of the process but alone is of limited help without work being undertaken on the broader system-wide organisational development processes which are necessary to support culture change.

74 The Council is developing a management competencies framework and recognises that further work is needed on this, particularly in respect of the conclusions from job evaluation.