



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report

Conwy County Borough Council

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About the Auditor General for Wales

The Auditor General is independent of government and is appointed by Her Majesty the Queen. He leads the Wales Audit Office and is held accountable by the Public Accounts Committee of the National Assembly for the Wales Audit Office's work.

The Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales. He also appoints the external auditors of Welsh local government bodies, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. The Auditor General's appointed auditors are responsible for the annual audit of nearly £5.5 billion of funding that is passed by the Welsh Government to local government in the form of general and specific grants. Local government, in turn, raises a further £2.1 billion through council tax and business rates.

As well as carrying out financial audit, the Auditor General's role is to examine how public bodies manage and spend public money, including achieving value in the delivery of public services. The Wales Audit Office aims to make public money count, by promoting improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money. It is also committed to identifying and spreading good practice across the Welsh public sector.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Huw Lloyd Jones and Gwilym Bury under the direction of Alan Morris.

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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 presents a picture of improvement over the last year. The report is in three main sections, which cover Conwy 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 has made reasonable progress in relation to its objective that people in Conwy are educated and skilled;
 - the Council's approach to improving the environment is progressing and it can show achievements in reducing the percentage of municipal waste sent to landfill;
 - the Council is continuing to support the economy in difficult times; and
 - Conwy continues to be a safe place in which to live.
- 2 Overall the Auditor General has concluded that: the Council is making good progress in many respects in delivering its improvement programme and its public reporting provides a fair and balanced assessment of progress.
- 3 The first part of our report finds that the Council is making good progress in delivering improvement in all of its priority areas:
 - the Council's performance in preventing homelessness has improved;
 - the Council continues to make progress with its Welsh Language Scheme and promoting the Welsh language and culture;
 - performance continues to improve in most aspects of the Council's work to help people in Conwy to be healthy and independent;
- 4 The second part of the report finds that the Council's corporate performance management arrangements support reliable self-evaluation but some aspects of the Council's evaluation are not robust enough.
- 5 Finally, part three of 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's planning for improvement and its arrangements to support improvement are sound. In particular:
 - the Council has discharged its improvement reporting duties under the Measure and has acted in accordance with Welsh Government guidance; and
 - the Council continues to make satisfactory progress in addressing the proposals for improvement identified in our previous assessments.

Recommendations

- 6 I make no new recommendations this year. This report sets out the progress the Council is making to address the recommendations and proposals for improvement made in my previous reports. Those proposals for improvement are set out in my improvement assessment letters issued to the Council during the course of the year. These letters are available on our website www.wao.gov.uk.

Detailed report

Introduction

- 7 Under the Local Government (Wales) Measure 2009 (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.
- 8 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 the Council 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.
- 9 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.
- 10 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.
- 11 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 or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

The Council is making good progress in many respects in delivering its improvement programme and its public reporting provides a fair and balanced assessment of progress

The Council is making good progress in delivering improvement in all of its priority areas

The Council's performance in preventing homelessness has improved

- 12 In Wales, the number of households accepted as homeless fell from a peak in 2004-05 through to the end of 2009 but then increased gradually until 2012. In Conwy, there has been a similar trend and the Homeless Service saw an increase in the number of people seeking assistance in 2011-12.
- 13 Conwy's performance for taking action to prevent homelessness improved in 2011-12. The Council prevented homelessness (as measured by the percentage of potentially homeless households where action by the Council prevented homelessness for at least six months) in 87 per cent of cases, a significant improvement from 72.2 per cent in 2010-11. The Council's homelessness service will be the subject of a further report by the Wales Audit Office during 2013.
- 14 One of the Council's priorities is to ensure a sufficient supply of quality and affordable homes in the social, mixed tenure and private sector markets. In Conwy, 32 affordable homes were delivered in 2011-12, below the average for Wales, and less than the 76 homes completed in

2010-11. In addition to its own continuing work to encourage new affordable properties in the county, the Council is also working closely with other councils and partners to increase the supply of affordable housing.

The Council continues to make progress with its Welsh Language Scheme and promoting the Welsh language and culture

- 15 The role of the Welsh Language Commissioner (the 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.
- 16 The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of their Welsh 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. The Council continues to monitor progress on its Welsh language Scheme and report progress to the Commissioner.

17 The Commissioner's 2011-12 report to the Council refers to significant progress in the following key areas:

- The Council is keen to promote a bilingual workplace and resources have continued to be directed at providing a bilingual Intranet for staff. The corporate pages, for example, for 10 services for staff use now appear on the Intranet bilingually.
- Only three complaints were received for a lack of Welsh language services during 2011-12 which is a further significant improvement on last year's statistics (15 complaints were received in 2010-11).
- The success seen last year in training staff and councillors in improving their Welsh language skills continued in 2011-12.
- During the year, two Language Improvement courses were held for 10 weeks as part of the Council's corporate programme. Specific bilingual customer care/language awareness courses were held with these aimed this year at Community Development Service (CDS) staff.

- The Revenue and Benefits Service has developed a bilingual online Council Tax Benefit/Housing Benefit Website and Calculator. To our knowledge, this is the only bilingual benefits calculator presently available to customers in North Wales.
- During 2011-12, the Council's language officer trialled a system of assessing the language skills of job applicants as part of the interview process, but separately to the formal interview. This system was very successful, and will continue during 2012-13.
- Council staff who work within their services promoting the use of Welsh and bilingualism, have been a very valuable resource to the Council.

18 The Commissioners found that further work needs to be done to ensure that recruitment procedures are harmonised throughout the Council and that awareness and monitoring of compliance with the language scheme is consistent throughout all the Council services.

19 The number of primary schools teaching at least 25 per cent of the curriculum through the medium of Welsh has increased from 10 schools to 12. However, in secondary schools, there was little change and a High School bilingual strategic group has been established to review the language scheme.

Performance continues to improve in most aspects of the Council's work to help people in Conwy to be healthy and independent

- 20 The Council continues to deliver against its objective to support older people to maintain their independence and place in the community; to process Housing and Council tax benefit claims correctly; and to encourage and facilitate a healthy lifestyle.
- 21 In October 2012, the CSSIW published its review and evaluation of the Council's performance during 2011-12. The CSSIW's Director's report¹, describes positive change and improvement in adult services.
- 22 The CSSIW found that the Council had demonstrated strong commitment to increasing the number of adults who exercise full choice and control of their personal support, primarily through better promotion and improved take-up of direct payments. There is an increasing number of adults over 65 supported in the community with targeted packages of support that are reviewed in a timely manner.
- 23 Increasing the use of direct payments was an area for improvement in last year's CSSIW report. The use of direct payments has increased but needs to be further developed. In 2011-12 the Council undertook significant activity to support the increase of direct payments and independence. This activity included involvement in the national citizen directed support learning network and training for staff. Its self funder scheme assists service users to administrate the direct payment scheme and employ carers. There has also been an increase in the pooling of budgets between service users, which has increased the services available to them.
- 24 The CSSIW had previously identified that carers' services need to be developed further but there were significant developments in supporting carers in 2011-12, with social services assessing the needs of significantly more carers than before. The CSSIW found that structured access to re-ablement services was achieving positive results in reducing dependency and enabling increased numbers of people to live safely at home. An increased range of dementia care services had enabled more people to remain independent with support. Access to information, advice and support was well developed and there was an appropriate range of information in both printed and electronic formats.
- 25 The Council had the best performance in Wales with the lowest rate of delayed transfer of care from hospital. However, although hospital discharge arrangements were taking place quickly they were not always working well. The CSSIW found that there were some people being discharged from hospital inappropriately with little or no communication between health and social care staff. Social care services were being arranged or reinstated on an urgent basis, with consequent risks to the service user. Consistent safe hospital discharge is an area for improvement in the Council's performance.

¹ An annual review of a Council Social Services performance undertaken by the CSSIW which includes an assessment of a Council's self-evaluation of its performance. The CSSIW provides an overall evaluation of performance and identifies areas of progress and areas for development.

26 The CSSIW also identified that the Council's emphasis upon short, intensive interventions had resulted in fewer people requiring longer term services. This reduction had been achieved by moving away from traditional residential models of care to a more person-centred approach that had enabled re-investment in initiatives such as re-ablement, additional extra care facilities and integrated health and social care centres.

27 We found that the Council's arrangements for administering housing benefit are supporting improvement. Processes should ensure that timely payments are made to the right people and the service is generally effective and responsive. The average processing time for new housing benefit claims is the same as the Welsh average at 20 days and have improved from the previous year. Average processing time for dealing with change of circumstance notifications is better than the Welsh average. A higher percentage of new claims were decided in 14 days than in the previous year. The level of activity in countering fraud has increased with a higher number of fraud referrals, investigations and successful sanctions than in the previous year. The total number of applications for reconsideration or revision, and the total number of appeals has reduced. There is a small number of indicators where performance declined during 2011-12; notably the percentage of overpayments identified and recovered has fallen, and it is taking the service longer to deal with applications for reconsideration or revision, and appeals.

28 The Council uses a range of local indicators to judge success in encouraging and facilitating a healthy lifestyle. The performance measures the Council has chosen to reflect progress against this objective show a positive picture and the national indicator on the use of leisure facilities shows 12 per cent more people used Conwy leisure and sports centres in 2011-12 than in the previous year.

The Council has made reasonable progress in relation to its objective that people in Conwy are educated and skilled

29 Progress has been made in relation to the Council's objective that people in Conwy are educated and skilled. The Council measures progress by monitoring actions and selected performance indicators against which specific targets have been set. The Council delivered improved performance in 11 out of 21 key improvement measures. Since Estyn conducted its inspection in March 2011 and reported that education services for children and young people in Conwy are good, the Council has regularly monitored progress on implementing all of the Estyn recommendations for improvement.

30 However, the Council has assessed the performance of 11 year olds in its primary schools in 2012 as 'unsatisfactory'. The proportion of 11 year-olds achieving the expected levels in English or Welsh first language, mathematics and science matched the all-Wales average of 82.6 per cent, but this is lower than might be expected given the below-average levels of deprivation in Conwy schools. In secondary

schools, pupils aged 14 performed well in comparison with other councils and in comparison with schools elsewhere in Wales with similar levels of deprivation. In external examinations, performance was more mixed. The proportion of 16 year old pupils attaining the Level 2 threshold (equivalent to five or more good GCSE grades) continued to improve at a faster pace than the Wales average and was fourth best in Wales. However, too few of the pupils achieving this benchmark included among their qualifications a good pass in the core subjects of mathematics and English or Welsh.

31 Rates of attendance in schools during the 2011/12 academic year continued to improve and compared favourably with the Wales average. Schools and the Council work well together to manage behavioural problems. No pupils were excluded permanently from Conwy schools during 2011/12 and the frequency and duration of fixed-term exclusions are low.

32 We reported last year that the Council's schools were holding the highest level in Wales of financial reserves at the end of the 2010-11 financial year. Levels of reserves fell slightly during 2011-12 but, at £273 per pupil, they remain higher than in any other council. While no schools began 2012-13 with deficits, as many as 28 per cent carried forward reserves exceeding 10 per cent of their delegated budgets. The Council continues to press schools with high reserves to invest more and anticipates that total reserves will reduce by a further £140,000 in 2013.

33 We also reported last year that the Welsh Government had revised its 21st Century Schools initiative to reflect the reduction in the capital funding available. Councils were required to submit revised strategies covering a six-year period, and during which they would be required to contribute 50 per cent of the necessary capital, rather than the 30 per cent that had originally been planned. The Council's revised strategy has attracted almost £9 million in Welsh Government funding in order to improve the quality of school buildings in four areas of the county. This sum is in addition to the £16 million of Welsh Government capital which will contribute to the ongoing redevelopment of Conwy's special school, Ysgol y Gogarth.

The Council's approach to improving the environment is progressing and it can show achievements in reducing the percentage of municipal waste sent to landfill

34 Dealing with waste is an important element of the Council's work in addressing its objective of 'people in Conwy living in a sustainable environment'. We commented in last year's *Annual Improvement Report* that the Council has, in recent years, been increasing the scope of its kerbside recycling activity and in 2011 rolled out its new scheme across the whole county. Improvements to its performance indicators resulting from this investment did not, as we predicted, appear until 2011-12. The Council reduced the proportion of municipal waste sent to landfill from 57.4 per cent in 2010-11 to 45.7 per cent in 2011-12. This

improvement in performance was better than the Council's targets and the proportion of municipal waste collected that is prepared for reuse and/or recycled is also now above the Wales average. Meanwhile, the Council continues to work with four other North Wales councils to establish the capacity to treat residual waste and with three other councils to process food waste. The Council has a wide range of local measures to judge success in improving the quality of the environment in Conwy and most of these citizen-focused measures saw improvements in 2011-12. For the third year in succession Conwy is rated by Keep Wales Tidy as being the cleanest county in Wales.

- 35 The UK-wide Carbon Reduction Commitment regulatory scheme is providing the key incentive for the Council to reduce its carbon dioxide emissions. The Council's performance declined in 2011-12 but the Council has a target to achieve a 25 per cent reduction in its carbon footprint by 2016-17. The Council has agreed a carbon management plan and services have identified energy reduction targets where possible and the completion of some specific projects to reduce emissions, such as at Venue Cymru, should improve performance in 2013.

The Council is continuing to support the economy in difficult times

- 36 The Council has made economic development one of its highest priorities and there have been notable successes. The regeneration scheme in Llandudno Junction is progressing well, Parc Eirias has raised the national profile of Conwy by hosting a range of major sporting and cultural events and improvements to the Colwyn Bay waterfront and town centre continue. The Council reported that the number of tourists visiting the county for overnight stays increased during 2011-12 in comparison with the previous year, while the estimated local spending by tourists rose from £596 million to £623 million.
- 37 The occupancy rates for business units in Conwy remained high at just over 94 per cent. The Conwy rural development partnership has continued to deliver a range of well-established schemes, such as support for farmers to diversify. In line with trends across Wales, the number of businesses supported in the area by the Council or by the Welsh Government decreased, from 1,287 in 2010-11 to 1,137 during 2011-12, and the number of jobs created as a result fell from 25 to 10.5. The Council provided grants to 18 new businesses, while European convergence funding supported a further 26 businesses. This meant that the number of businesses financially supported decreased from 86 in 2010-11 to 44 in 2011-12.

38 Taken together, these figures suggest that the Council is having a positive impact on the local economy in very difficult and challenging times, although, as we said in our last *Annual Improvement Report*, the measures that the Council has chosen are not specific enough to demonstrate progress towards its improvement objective. The Council has made no use in its own assessment of its performance of measures such as local unemployment rates to help it assess whether the prosperity of its citizens is improving. In contrast 'One Conwy', the Conwy Local Service Board's vision for the future of Conwy County Borough has a much clearer focus on citizen-focused outcomes for a thriving economy, such as a target to decrease the number of people in Conwy claiming Job Seekers Allowance for more than 12 months.

40 Road safety is the other key performance measure chosen by the Council to judge success in making Conwy safer. In 2011-12 the numbers killed or seriously injured increased to 60 people but these statistics are subject to annual variations and data for the last five years shows no significant variations in the downward trend for numbers killed or seriously injured on roads across North Wales.

Conwy continues to be a safe place in which to live

39 The Council's Annual report for 2011-12 states that police crime data shows that Conwy remains, as in the previous five years, one of the safest counties to live in England and Wales. As part of the strategy to make people safe and feel safe the Council, in partnership with Denbighshire County Council, delivered a number of initiatives to promote a 'late night economy' strategy, primarily through a new 'pubwatch' scheme. Other measures chosen by Conwy focused on increasing numbers of people using subsidised bus routes where there was little change from 2010-11 performance.

Corporate performance management arrangements support reliable self-evaluation but some aspects of the Council's evaluation are not robust enough

- 41 Our *Annual Improvement Report* published in January 2012 concluded that the Council had adopted a framework that established a consistent approach to the management of performance across the organisation, and that elected members provide strong leadership for service delivery and effective scrutiny in challenging policy and performance. This continues to be the case. The scrutiny committees and the twice-yearly service reviews receive performance information of consistently good quality. Members are given the opportunity to question senior officers and to challenge and debate performance constructively. Meetings are effectively managed, and the range of questions and the quality of challenge is good.
- 42 We found that the Council has a strong central policy team that oversees, co-ordinates and actively manages performance. Staff within services generally acknowledge accountability for their performance and understand how their work relates to delivering the Council's Improvement Objectives and corporate priorities.
- 43 The Council has effectively discharged its reporting duties under the Local Government Measure and has also acted in accordance with Welsh Government guidance. We reached this conclusion because the Council's performance Report (the Report):
- is available in English and Welsh to download from the Council's website, and versions in Braille and other languages can be provided upon request;
 - assesses the Council's performance in the preceding financial year (2011-12) against 134 indicators and clearly sets out how the Council has sought to discharge its duties under the Measure;
 - includes details of performance as measured by all the national statutory performance indicators;
 - was published before the statutory deadline of 31 October 2012;
 - provides a clear and well-structured focus on the Council's progress in the delivery of its Improvement Objectives; and
 - is concise and well written, and, for the majority of the Improvement Objectives set for 2011-12, reports clear outcome-based performance, and links the Improvement Objectives to the tables of statutory and key performance indicators.
- 44 The Report includes a summary of the Council's 2011-12 performance compared with the previous year, and a brief explanation of the main successes and failures in the delivery of some of the key projects assigned to the Council's Improvement Objectives and other strategic priorities as set out in the 2008-12 Corporate Plan. The progress has been referenced to the citizen outcomes that the Improvement Objectives support, as detailed in the integrated community plan 'One Conwy 2012-25'. The main body of the report contains a full list of measures associated with each of the eight Improvement Objectives and strategic priorities. Where

the output or outcome was not achieved, the Report includes a brief explanatory commentary and an outline of what will be done to improve performance. There is also a brief summary of our last *Annual Improvement Report*.

- 45 The Report contains a summary of the Council's partnership working across each of the main service areas. However, the analysis of progress is largely descriptive, such as the section on Highways and Infrastructure Services, and it is not always clear how residents have directly benefited. The Report does not refer to the overspend in 2011-12 on the Home to School Transport Budget, which has been the subject of a recent critical joint report by Conwy and Denbighshire's internal audit service.
- 46 The final section of the Report gives a clear and comprehensive assessment of progress against all 41 national performance indicators and a Corporate Performance Summary using a structure covering the eight Improvement Objectives. This section also includes details of the previous year's performance (where available) for each of the indicators, together with a trend analysis, a comparison of 2011-12 performance with the Welsh average, and an all-Wales ranking score. Each indicator and performance measure is rated red, amber or green to indicate the Council's evaluation of the extent to which the intended output or outcome was delivered successfully during the year.
- 47 Each Improvement Objective is supported by a series of activities and measures that are managed and delivered by the appropriate service area, and monitored throughout the year as part of the Council's performance management framework. We found that the Performance Report is clearly presented and easy to read for each of the Improvement Objectives. The Report is generally balanced, commenting on areas where progress in delivering actions has been slow or performance has fallen, as well as the more successful aspects. For example, with regard to the indicator for affordable housing, the Council notes that performance is below target and outlines why this has happened.
- 48 In June 2012, we reported the results of our audit of the accuracy of a sample of the Council's performance indicators. Though our sample was smaller this year than in the past, the results were satisfactory and we qualified none of the Council's national performance indicators.
- 49 There are, however, examples of self-evaluation within individual services that are not sufficiently robust. The CSSIW Director's report², demonstrated that there are examples where the Council's performance systems have not identified failings in monitoring systems. When inspected in 2011, for example, the residential short breaks service had not prepared the review of care report for two years. Such a report is a key element in the quality assurance processes for looked-after children. However, in other cases, Children's Services have undertaken audits and responded

² An annual review of a Council Social Services performance undertaken by the CSSIW which includes an assessment of a Council's self-evaluation of its performance (often called the 'Directors report'). The CSSIW provides an overall evaluation of performance and identifies areas of progress and areas for development.

positively to their findings. Examples of this are to be seen in the quick implementation of recommendations following the fostering inspection regarding placement agreements and the complaints process.

- 50 On 28 September 2012, the auditor appointed by the Auditor General gave an unqualified opinion on the Council's 2011-12 accounts. The appointed auditor also issued his *Annual Audit Letter* in November 2012 – [Appendix 3](#) gives more detail.

The Council's planning for improvement and its arrangements to support improvement are sound

The Council has discharged its improvement planning duties under the Measure and has acted in accordance with Welsh Government guidance

- 51 While the Measure requires councils to publish their improvement plans as soon as possible after the beginning of the financial year, we reported in our improvement assessment letter to the Council in September 2012 that, following the local government elections in May 2012, the Council had decided to review its Improvement Objectives to determine whether it could deliver all of them by 2016-17 and to examine a series of funding scenarios to determine their relative priority. The scenarios ranged from limited changes to current budgets to the realignment of resources from services to support the delivery of Improvement Objectives. The Council published the Improvement Plan in draft in March 2012 and, in October, adopted the new Corporate Plan for 2012-17, following engagement with the newly elected Council.
- 52 Our audit and assessment work found that the Council's 'Corporate Plan 2012-17' (the Plan) meets the requirements of the Measure. The Council has set out a clear rationale for selecting the areas it is focusing on improving, based on its current performance, stakeholder and partner views and recent consultation activity with citizens. The Council has produced a Welsh language version of the Plan and provided summary versions on its website. On request, the plan is available in alternative formats and other languages.
- 53 The Plan includes eight Improvement Objectives relating to: education and skills; feeling safe; housing; health and independence; a thriving economy; a sustainable environment; heritage, culture and the Welsh language; and that people are informed, included and listened to by the Council. The Council has clearly stated what the Improvement Objectives aim to achieve and has included some broad details about the resources available, both revenue and capital, to support their delivery.
- 54 The Council has defined appropriate measures of success, set suitable targets and established baseline data for most of its eight Improvement Objectives. In some cases, the measures chosen relate clearly and explicitly to the Improvement Objective. The measures of success for the Improvement Objective that 'people in Conwy live in safe and appropriate housing', for example, are focused on preventing homelessness and increasing the number of new affordable homes built for local people. It is therefore clear what the Council is seeking to improve.
- 55 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 (the Act) sets out specific requirements for local authorities in Wales. The Act required councils to develop and publish Equality Objectives and a Strategic Equality Plan by 2 April 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must consider in setting improvement objectives under the Measure. The Council's Corporate Plan includes some information on the Council's equality work, particularly

in relation to its Strategic Equality Plan, but it does not specifically set out how the Council has met the requirements of the Act in setting its Improvement Objectives.

The Council continues to make satisfactory progress in addressing the proposals for improvement identified in our previous assessments

- 56 The Council complied with the requirement to make arrangements to secure continuous improvement during 2011-12 and has made reasonable progress in most areas for improvement identified in previous audit letters and reports.
- 57 The Council is making satisfactory progress in ensuring that responsibility for the accuracy and robustness of performance data is clearly assigned within services and that staff whose work involves the generation of data are fully aware of how records, including key performance data, should be kept.
- 58 The Council has, as part of its own cycle of improvement, considered the improvement suggestions included within our recent review of public engagement. People in Conwy are informed, included, and listened to is a key outcome priority in the Corporate Plan 2012–17. The Council has a track record of good engagement and has done so extensively in relation to the budget and priorities. Members, the public and key stakeholders have all had the opportunity to contribute and comment.
- 59 The Council has increased the proportion of staff that received a performance development review. In 2011-12, just over 70 per cent of staff had a review compared with 65 per cent in 2010-11. Some service areas nevertheless saw a decrease in take up, particularly in Regulatory Services, where only one in four staff had an appraisal in 2011-12. The Council's Human Resources team is now targeting activity in services with poorer take-up to help services understand the value of staff appraisals and, in turn, increase the proportion of staff receiving a review.
- 60 Although the Council is improving its financial planning process, taking an innovative approach to identifying savings, the Council has previously acknowledged the potential value in aligning a robust Medium Term Financial Plan more explicitly with the ambitions emerging from its new Corporate Plan. The Council has produced a new Medium Term Financial Framework but it does not currently provide a financial translation of Conwy's strategic plans and demonstrate how these fit together to meet the Council's priorities.
- 61 There have been overspends on some large capital projects, such as £1.3 million on the replacement of the Maesdu road and railway bridge. Outline plans for the contract did not include some foreseeable costs and further operational problems occurred during the building stage. This suggests that there was insufficient review and monitoring of budgets and plans through the development of the project. The Council let the contract for the design advice based on the time incurred by the engineers, rather than a fixed price for the contract. Some contracts are applied

correctly and some examples of good practice exist (such as the recent Eirias Park project) but many aspects of the contracting process needed improving, including the way procedures are applied in many of the Council's services.

62 We commented in last year's *Annual Improvement Report* that concerns had emerged about the Council's administration of a particular grant to the 'Forces for Good' project on behalf of the Welsh Government. The Council's internal auditors investigated the circumstances leading to grant payments being authorised before the grant recipient had incurred the expenditure for which the payment was intended. The report concluded that there had been evidence of significant control weaknesses in the administration of Capital Grants in the Community Safety Team in respect of the project. The Council has identified an action plan to minimise the risk of a future failure in grants administration.

63 Subsequent to our work on capital projects, our review of the compliance culture at Conwy found no evidence of widespread non-compliance with Council policies, although improvements to some controls are needed. We reached this conclusion because:

- we found that corporate processes to induct new staff and make them aware of policies are good, although the quality of induction at departmental level is variable; and
- we found no evidence of cultural barriers to policy compliance but ongoing controls to ensure that staff understand policies and comply with them need to be better.

64 The Council is carefully monitoring progress on the improvements required to ensure future compliance with the Council's tendering procedures and legal requirements and improved management of major contracts. The Council has already taken steps to improve many of these processes, including:

- establishing a new project and programme forum for managers;
- establishing the Contract Forum to drive improvement in respect of construction and engineering based contracts;
- rolling out management training that focuses on realising benefits from external procurement;
- a hardened tone from the top about compliance; and
- a series of internal audits in risk areas.

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).

An important ancillary activity for the Wales Audit Office is the co-ordination 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 Conwy and Conwy County Borough Council

The Council

The Council spends approximately £256 million per year (2012-13 budget). This equates to about £2,220 per resident. In the same year, the Council also planned to spend £45.2 million on capital items.

The average band D council tax in 2011-12 for Conwy was £850.59 per year. This has increased by four per cent to £884.61 per year for 2012-13. Seventy one per cent of Conwy's housing is in council tax bands A to D.

The Council is made up of 59 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 17 Independent
- 14 Conservatives
- 12 Plaid Cymru
- 9 Labour
- 5 Welsh Liberal Democrats
- 1 Labour and Co-operative
- 1 Not affiliated

The Council's Chief Executive is Iwan Davies. He is supported by three Strategic Directors: Ken Finch; Andrew Kirkham; and Sasha Davies.

Other information

The Assembly Members for Conwy are:

- Janet Finch-Saunders - Aberconwy, Conservative
- Darren Millar - Clwyd West, Conservative

The Members of Parliament for Conwy are:

- Guto Bebb - Aberconwy, Conservative
- David Jones - Clwyd West, Conservative

For more information see the Council's own website at www.conwy.gov.uk or contact the Council at the Council Offices, Bodlondeb, Bangor Road, Conwy, LL32 8DU, or by telephone on 01492 574000.

Appendix 3

Appointed Auditor's Annual Audit Letter

Councillor Dilwyn Roberts
Leader
Conwy County Borough Council
Bodlondeb
Conwy
LL32 8DU

Dear Cllr. Roberts

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 but needs to continue improving its arrangements to secure its 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 Statement of Accounts 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 Statement of Accounts 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 audit were reported to the Audit Committee in my Audit of Financial Statements report on the 25 September 2012.

- **There was one misstatement identified in the financial statements that remained uncorrected.** This related to expenditure to discharge the Council's responsibilities in respect of the Victoria Pier in Colwyn Bay, which had not been provided for within the financial statements. It was estimated that the value of this provision should have been between £600,000 and £800,000. The Council made a contingent liability disclosure in the financial statements.
- **I have no significant concerns about the qualitative aspects of the Council's accounting practices and financial reporting.** Accounting policies and estimates are appropriate and the draft financial statements were of good quality, unbiased, fair and clear. There were some minor adjustments to the financial statement disclosures.
- **We did not encounter any significant difficulties during the audit.** We received the majority of information requested in a timely and helpful manner and were not restricted in our work.
- **We did not identify any significant issues in relation to the 2011/12 audit risk areas.** During our audit, an issue with one specific grant from the Welsh Government was brought to our attention. The Council made payments of grant monies to an organisation where it is alleged that an individual made fraudulent claims during the year. As a result, the Council repaid £125,000 to the Welsh Government. This issue is currently being investigated by the Police, and the Council's Internal Audit department are providing assistance. Because of the nature of the investigations, we are not able to comment further at this time.

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. Except for the matters described below, 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.

- The Council is yet to establish a Medium Term Financial Plan which demonstrates how strategic objectives and priorities will be financed and delivered and which supports the Corporate Plan.

- The final outturn position at 31 March 2012 was broadly in line with the revised budget that was approved by Cabinet. This saw the General Fund Balance remain at just over £3 million; however, earmarked reserves needed to be released to partly fund the overspend of £390,000 relating to the delivery of Home to School Transport services. The Council expects the overspend to continue during 2012/13. The Council's internal audit team and audit committee have investigated the reasons for this over-spend, but the council needs to act quickly to improve the cost-effective delivery of the service.
- A report in August 2012 from KPMG, working with the Wales Audit Office, identified a number of improvements that are needed to the way the Council procures and contracts for projects and services. The Council has put in place a detailed action plan and is reporting progress to the Audit Committee. The Council must now ensure that it adequately addresses the recommendations raised to ensure that all expenditure is in line with contract procedures and standing orders.

I issued my opinion on the audit of the accounts on 28 September 2012. I am not yet in a position to certify the closure of the audit for 2011/12. This is because the 2010/11 audit remains open owing to a number of unresolved objections received from a member of the public. Objections have also been received for 2011/12 and we are presently evaluating the questions raised to assess whether they fall within our remit for investigation and how to resolve them. Where I have resolved objections during the year, I have reported this to the Council's Audit Committee.

The audit fee for the financial statements element of the 2011/12 audit is currently expected to be in line with the agreed fee set out in the Annual Audit Outline. There will be additional fees arising from the need to deal with a large number of objections from a member of the public.

Yours sincerely

Ian Pennington, Director, KPMG LLP
For and on behalf of the Appointed Auditor, Anthony Barrett, Wales Audit Office

Local electors and others have a right to look at the Council's accounts. When the Council has finalised its accounts for the previous financial year, usually around July or August, it must advertise that they are available for people to look at. You can get copies of the accounts from the Council; you can also inspect all books, deeds, contracts, bills, vouchers and receipts relating to them for 20 working days after they are made available. You can ask the auditor questions about the accounts for the year that they are auditing. For example, you can simply tell the auditor if you think that something is wrong with the accounts or about waste and inefficiency in the way the Council runs its services. For more information see the Wales Audit Office leaflet, *Council accounts: your rights*, on our website at www.wao.gov.uk or by writing to us at the address on the back of this report.

Appendix 4

Conwy 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 October 2012. The details are available on the Council's website at www.conwy.gov.uk. They are:

Key improvement objective priorities 2011-12	Key improvement objective priorities 2012-13
People in Conwy live in a county where the Welsh language, its heritage and culture thrive.	People in Conwy live in a county where heritage, culture and the Welsh language thrive.
People in Conwy are healthy.	People in Conwy are healthy and independent.
People in Conwy are educated and skilled	People in Conwy are educated and skilled.
People in Conwy live in a sustainable environment.	People in Conwy live in a sustainable environment.
People in Conwy live in a county which has a thriving economy.	People in Conwy live in a county which has a thriving economy.
People in Conwy live in safe and appropriate housing.	People in Conwy live in safe and appropriate housing.
People in Conwy live in a fair, inclusive, and informed community.	People in Conwy are informed, included and listened to.
	People in Conwy are safe and feel safe.

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2011-12 can be found on the Council's website at www.conwy.gov.uk.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk