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Mr Gareth Chapman  
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Date	26th September 2012
Our reference	487A2012
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Pages	1 of 8

Dear Gareth

## Improvement Assessment

I am required, under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether Merthyr County Borough Council (the Council) has discharged its duties and met the requirements of the Measure.

This letter summarises:

- my views on whether the Council has discharged its statutory duties in respect of improvement planning;
- my views on the Council compliance with requirements to make arrangements to secure continuous improvement, based on work carried out to date by the Wales Audit Office and relevant regulators, including:
  - the Council's progress on areas for improvement and recommendations identified in my previous assessments; and
  - any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
- my further proposals for improvement and/or recommendations

I shall update my views during the year and will provide a further letter by the end of November 2012.

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

I have reached this conclusion because:

The Council's improvement objectives (now referred to as Priority Outcomes) and its improvement plan, (called Corporate Plan 2012-13), meet the requirements of the Measure and the guidance issued by the Welsh Government.

This year the Council has engaged in a comprehensive exercise to establish clearer and more outcome-focused improvement objectives. Facilitated by an external organisation, this process has engaged services, senior management and members in the identification of four new Priority Outcomes for 2012-13. The benefits of this new found ownership and engagement of services are palpable. However more work is needed to develop measures of performance that clearly define what success will look like, and to refine arrangements to monitor and drive improvement.

In deciding what to focus on, the Council has built on its understanding of local needs developed through extensive consultation with local citizens, businesses and partners on its Community Plan. It also undertook further consultation with residents in January 2012. As the longer term Corporate Plan is developed, it will be important to build sufficient time into the process to ensure that citizens and stakeholders continue to be consulted effectively.

The improvement plan and a short, non-technical public summary have been published in both English and Welsh within the timeframe set by the Welsh Government. Both are available in electronic format on the Council's website and were publicised through the local press. Hard copies of the bilingual public summary are available in the reception areas of council offices and available upon request.

### **Based on, and limited to, work carried out to date by the Wales Audit Office and relevant regulators:**

**I believe that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year**

I have reached this conclusion because:

**The Council continues to make progress in addressing my previous proposals for improvement**

I have previously reported a number of proposals for improvement and also noted some areas where we would undertake further work. Progress on these matters is described in some detail in Appendix 1. Most of the Council's actions are ongoing, and my auditors will continue to monitor and summarise the Council's progress in implementing them in my future reports. Further information about my findings in some of these areas is provided separately in interim updates to the Council where appropriate.

**Some progress in aligning the medium term financial plan, asset management strategy and workforce strategy has been made but there is more work to be done if they are to be used to fully inform and support the achievement of the Council's objectives**

The Council has quantified the impact of its priorities on its short term finances, although this has yet to be reflected in the Medium Term Financial Plan (MTFP). The Council has a number of well advanced initiatives in place to secure efficiency savings. It is less clear whether balanced budgets can be set which adequately resource the delivery of the Council's improvement objectives over the medium term. The MTFP is not based upon a complete assessment of the shape of services in the future and the resources required to provide them.

For periods beyond 2012-13, the Council has yet to determine its priorities and evaluate their financial implications. If the MTFP is to be used as an effective financial planning tool, it will need to incorporate the results of this work and clearly identify the actions necessary to address any identified financial shortfall.

The Council has put in place appropriate monitoring arrangements that involve evaluation and scrutiny of the budget and MTFP at Executive Board and Cabinet, together with Scrutiny Committees. These scrutiny and monitoring arrangements should be used to secure better alignment between the MTFP, the Corporate Plan and other strategic plans as they continue to be developed.

## **The Council is continuing to refine its corporate systems for reporting its performance**

Every council needs to have good information and use it well if it is to provide good services and make them even better. The Council is continuing to refine its corporate systems for reporting its performance, and my auditors will, in due course, audit these systems to assess how effective and reliable they are. In the meantime, a mixture of National Strategic Indicators, Public Accountability Measures, Service Improvement Datasets and local measures were selected for audit. The measures selected are used by the Council to judge how well it is delivering its improvement objectives and whether it is making a difference for its citizens.

Of the seven national strategic indicators audited, none were qualified but four needed to be corrected due to minor errors and more up to date information becoming available. My auditors have provided officers with detailed findings so that they can address the causes of those errors found. I will report further on the performance of services in my Annual Improvement Report.

## **Further proposals for improvement**

Two further proposals for improvement are outlined in this letter. We will continue to monitor and report on the progress made by the Council in implementing the proposals set out in my previous reports and letters.

### **Proposals for improvement**

The Council should:

- P1 Identify its priorities beyond 2012-13 and evaluate their financial, workforce and asset implications so that the MTFP can be used as an effective planning tool to identify how the priorities are to be resourced.
- P2 For its new Priority Outcomes, develop measures of performance that clearly define what success will look like and refine arrangements to monitor and drive improvement.

## **Updates to the work plan and timetable**

My Improvement Assessment Team will keep the Council informed of the detailed arrangements for the delivery of my assessment work.

The regularly updated work plan and timetable provides more detail on the work being delivered during this year's assessment and in particular how we will add value by focusing on jointly identified areas or services.

The work plan and timetable takes account of my consultation with improvement authorities over my proposals for 2012-13 performance audit work. In particular, I shall be asking my Improvement Assessment Team to consider during the year the reliance that we can place upon the self-assessment processes (including your review of governance in producing the Annual Governance Statement and your Annual Performance Report). I shall comment on this approach in my Annual Improvement Report.

I am grateful to the Council for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**

CC: Carl Sargeant, Minister for Local Government and Communities

Colin Davies – Manager

Justine Morgan – Performance Audit Lead

## Appendix 1

Proposals for improvement	Progress
<p>P1 Further develop the medium-term financial strategy, asset management strategy and workforce strategy and align them to inform and support achievement of the Council's objectives.</p>	<p>In the past year the Council has been developing and updating its medium term financial plan. This includes a clearer integration with asset management planning facilitated by the recent acquisition of the Technology Forge Asset Management System. 'The People Strategy' was approved by Council on 25/4/12. Workforce development plans have been included in each Strategic Service Plan and include data relating to workforce numbers, ages, gender balance, disabilities, Welsh speakers and other attributes. However, the Council recognises that there is more work to be done if these key plans and strategies are to be fully integrated and effective in supporting the achievement of the Council's objectives.</p>
<p>P2 Ensure that improvement objectives are outcome rather than service-focused and worded consistently between the various publications.</p>	<p>This year the Council has engaged in a comprehensive exercise to establish clearer and more outcome-focused improvement objectives. Facilitated by an external organisation, this process has engaged services, senior management and members in the identification of four new Priority Outcomes for 2012-13. The various publications are now consistently worded.</p>
<p>P3 Include a general statement within the annual forward-facing plan on how the Council seeks to discharge its overall statutory duty to have arrangements in place to secure improvement across the range of its functions.</p>	<p>The Council has included an appropriate general statement in its Corporate Plan 2012-13.</p>
<p>P4 Ensure the systems and controls around performance data and measures are sufficiently robust for the Council and its stakeholders to have confidence in their accuracy.</p>	<p>The Council has invested a permanent resource to ensure that internal quality assurance arrangements in relation to systems and controls around performance data and measures are more robust. Of the seven national strategic indicators we have audited, none were qualified but four needed to be corrected due to minor errors and more up to date information becoming available. Further work on local measures is planned in Autumn 2012. The Council intends to continue with its quality assurance of local measures over the next few months.</p>

Proposals for improvement	Progress
<p>P5 Develop a strategic approach to public engagement which will support improvements to the operational approach to individual public engagement projects.</p>	<p>The Council has secured funding to establish a joint Corporate Communications/Consultation officer post with Rhondda Cynon Taf County Borough Council through the Local Service Board which includes other partners such the police and the local health board. It is looking to appoint to the role through a secondment. I intend to carry out further work in this area and will report more fully in my Annual Improvement Report later in the year.</p>
<p>P6 Review the terminology of improvement objectives and activities, and selected measures of success to ensure that they are clearly expressed, will lead to the achievement of the relevant improvement objective and capable of allowing local citizens to monitor the difference the Council is making to their lives.</p>	<p>The Council has engaged in a comprehensive assessment to establish clearer and more applicable improvement objectives. The improvement plan sets out what the Council wants to achieve and what it will do over the next year. The Council has identified what success will look like by establishing community outcomes. However performance measures are less clear.</p>
<p>P7 The leadership of the Council, political and managerial, should promote and secure a culture which requires an appropriately open and balanced self-assessment of corporate and service performance, and is more evaluative and realistic regarding the Council’s progress in delivering its improvement objectives.</p>	<p>My auditors will carry out further work in this area and I will report my findings in my Annual Improvement Report later in the year.</p>
<p>P8 In assessing and reporting Council performance, ensure that:</p> <ul style="list-style-type: none"> <li>• there is sufficient appropriate data which demonstrates not only what and how much the Council does, but also the difference the Council is making in terms of outcomes for its citizens; and</li> <li>• ensure that there is sufficient information providing the reasons for any underperformance, its respective impact and the remedial action to be taken.</li> </ul>	<p>My auditors will carry out further work in this area and I will report my findings in my Annual Improvement Report later in the year.</p>

Proposals for improvement	Progress
P9 Review the timing and content of progress and performance reports to facilitate better informed decision making and robust challenge of service performance that focuses on the right measures and tasks and requires officers to take remedial action where appropriate.	My auditors will carry out further work in this area and I will report my findings in my Annual Improvement Report later in the year.
P10 In relation to its self-assessment of performance, the Council should ensure that it acts more in accordance with Welsh Government guidance, and designs and implements appropriate challenge and scrutiny arrangements.	My auditors will carry out further work in this area and I will report my findings in my Annual Improvement Report later in the year.