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Monmouthshire County Council Report by the Auditor General for Wales Preliminary Corporate Assessment – August 2010



Ref: 417A2010

Image courtesy of Monmouthshire County Council.

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Monmouthshire County Council is developing an ambitious approach to secure improvements for its communities in a challenging financial climate. It will need clear, consistent leadership and management to ensure that it delivers the anticipated benefits.

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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), the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE). In evidence to the National Assembly for Wales Public Accounts Committee in June 2010, the WLGA noted ‘there is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone’. To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for increasing procuring rather than providing services and working in collaboration. The Corporate Assessment has been prepared in this context.
- 6 The report sets out the findings of the Corporate Assessment only and is designed to answer the question:

‘Are Monmouthshire County Council’s (the Council) arrangements likely to secure continuous improvement?’
- 7 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.



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

9 The conclusion arising from our first Corporate Assessment is that **the Council is developing an ambitious approach to secure improvements for its communities in a challenging financial climate. It will need clear, consistent leadership and management to ensure that it delivers the anticipated benefits.**

10 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 previous approach to improvement was not consistently applied across the organisation or linked to delivering clear corporate priorities but a new approach is being developed; and
- under clear leadership, the Council's ambitious transformation programme is evolving quickly and the Council recognises the need to strengthen supporting arrangements and align them with priorities.

Areas for improvement

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

Exhibit 1: Areas for improvement

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| P1 Set improvement objectives and update the Corporate Improvement Plan (CIP) to clearly set the Council's vision and priorities for the future. |
| P2 Implement systems to support delivery of corporate priorities. |
| P3 Improve the management of performance. |
| P4 Ensure plans and services are aligned to support the transformation programme. |
| P5 Train and support the Audit Committee so that it can effectively discharge its remit in relation to the Council's 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 previous approach to improvement was not consistently applied across the organisation or linked to delivering clear corporate priorities but a new approach is being developed

In the past, although the Council has provided generally good services, it has not consistently challenged established ways of working

- 12** The Council has 43 members made up of 28 Conservatives, six Labour, five Liberal Democrat and four Plaid Cymru/Independent councillors. The Council has experienced a stable political direction with the current Conservative administration being in power since 2004. The Council operates a cabinet system with nine executive members, all from the majority Conservative group. Annually the Council spends approximately £160 million, over £137 million on the day-to-day running of services and £22.6 million on capital investment in Council property, roads and information technology. The Council received the lowest per capita aggregate external finance of all Welsh unitary authorities in 2010-11.
- 13** Monmouthshire has a slightly lower proportion of people of working age and a higher proportion of people of retirement age than Wales as a whole. It has a high rate of employment and had the highest gross disposable income in 2008-09 and is one of most affluent areas of Wales. However, this picture masks small but significant areas of deprivation. A small proportion of electoral divisions in 2009-10 were in the 40 per cent most deprived wards in Wales, whilst over half were in the 20 per cent least deprived. A significant proportion of the county is rural which presents difficulties for some residents in accessing services and for the Council in how it delivers services to dispersed communities.
- 14** Generally, the Council has delivered good services to its customers. The Council has been able to maintain or improve performance against more than two-thirds of the national performance indicators. For Welsh local authorities in 2008-09, they ranked in the top quartile for approximately 30 per cent of indicators, 40 per cent were in the median range and 30 per cent the bottom quartile. Performance has been assessed against the national strategic indicator set only and these indicators have not always been appropriate measures of success in respect of those areas prioritised for improvement by the Council.



15 It has, until recently, experienced unchanged strategic and departmental structures and little change at a senior management level. The management structure has not been supported by a large corporate centre and services have had responsibilities for some of the key enabling and policy functions including elements of Human Resource (HR) management, performance management and policy development.

16 The Council set its priorities in its CIP 2009-10. Delivery of corporate priorities has been coordinated through individual service and team-based development and delivery plans which are intended to provide the link between the strategic objectives in the CIP and activity within services that contributes to achievement of strategic objectives. Links between the CIP, development and delivery plans and service-specific strategies have not always been clear and consistent, and it is not always possible to identify and demonstrate how services are delivering corporate priorities.

The Council has started to develop a much needed major internal change programme with potential for realising savings and improvement

17 The Council has begun to tackle some of its major challenges, and in recent years, it has addressed some significant issues to secure improvement. Examples include:

- the transfer of the housing stock to the newly formed Monmouthshire Housing Association (MHA) in January 2008;
- the rationalisation and improvement of primary school buildings and services in the past five years;

- the re-provisioning of its approach to domestic waste collection and recycling; and
- a significant programme of integrated working with the Health Service.

18 The Council has a new Chief Executive Officer, appointed in September 2009. His major priority is to transform the Council to make it fit for the 21st century and he is seeking to fundamentally change how the Council operates and approaches improvement in order to alleviate a predicted budget deficit of approximately £15.5 million by 2013-14. A key factor of Monmouthshire's transformational change programme is the implementation of the Agile Working and Office Accommodation Strategy that is focused on modernising the business. Coupled with further work on collaboration, efficiency and technology refresh, the Council anticipates this will enable it to realise revenue savings.

19 On 29 September 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that they present fairly the financial position of the Council as at 31 March 2009. In November 2009, the Auditor General and the Appointed Auditor issued an Annual Letter on the financial statements, corporate arrangements and performance of the Council. They concluded that the Council was improving its services but that corporate arrangements required development and improved coordination to better support delivery of the Council's strategic objectives.

Positive outcomes for citizens of this ambitious programme will depend on how well the Council leads and manages its transformation agenda

- 20** The Measure 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 determining its improvement objectives for 2010-11 and intends to publish these in September 2010.
- 21** The Chief Executive has a clear vision for the future direction and is encouraging Elected Members to think seriously about priorities. This work is at an early stage so is yet to be formally adopted or widely communicated. Major changes are taking place within the Council which will transform what services the Council delivers and how staff deliver those services to local residents.
- 22** The Council is also restructuring services at all levels and this has resulted in major changes at a senior management level. A new Corporate Management Team has been established which consists of the Chief Executive, a Deputy Chief Executive and three Chief Officers covering Education and Young People, Social Care and Housing and Regeneration and Culture. Plans for the rest of the organisation are developing and are being implemented sequentially. Given the scale of change taking place, the change programme needs to be carefully managed if it is to prove successful.



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

Under clear leadership, the Council's ambitious transformation programme is evolving quickly and the Council recognises the need to strengthen supporting arrangements and align them with priorities

Fresh leadership is playing a significant role in developing new approaches to quickly transform the Council

New leadership is giving the Council direction and impetus

- 23** The Council's vision is evolving but the Chief Executive has a clear idea of what is required to equip the organisation to meet its future challenges. An ambitious programme of change is being delivered focused upon internal structures, processes and organisational culture but with a very clear agenda to transform services for the citizens of Monmouthshire.
- 24** Internal restructuring is being implemented at senior officer level with 20 posts, including corporate directors, being deleted and replaced with nine new posts on different terms and conditions. A new Corporate Management Team is being established and a new service structure is being developed to better

align services with priorities and to support cross-cutting working, both within the Council and with partners. The Council believes these changes will release cash savings of £0.9 million at this time, as well as addressing identified areas of poor performance. In particular, the changes are seeking to address weaknesses in core enabling services such as HR, Information and Communication Technology (ICT), asset management and corporate policy working.

- 25** It is recognised within the Council that the scale of transformation taking place will take some time to bed in before benefits are fully realised. It is clearly understood that the programme creates uncertainty for many staff and there are risks that the intended scale and speed of change, unless carefully led and managed, could detrimentally affect performance of services and the operation of the Council.
- 26** In anticipation of the need to effectively support delivery of the transformation programme, the Chief Executive has created two interim posts – a Director of Transition and a Transition Manager. These have responsibility for managing key aspects of the change programme and delivering major capital projects such as the Abergavenny town centre redevelopment. The Chief Executive is also taking direct management responsibility for key services such as democracy, modernisation, enterprise, financial and asset management that are fundamental in supporting his transformation proposals.

27 Restructuring services is important but is only one element of the change agenda being promoted. The Council is also seeking to create a new style of leadership for senior managers. The Corporate Management Team is expected to take co-ownership for delivery, operate collectively as a team and be accountable for performance and improvement across all Council services. This is quite a distinct change from the previous departmental management style. If the scale of transformation and change in organisational culture proposed is to be achieved, it is essential that this approach to shared leadership operates effectively.

28 Political structures are also changing with a move away from select committees that reflect departmental structures to cross-cutting committees. These are helping members to focus on fewer issues and upon outcomes rather than activities. Over the last few years, the scrutiny function has become more effective and there is a good understanding amongst members of the importance of effective scrutiny. Chairs of select committees are elected from within the committee, for their abilities rather than political affiliations. Committees set their own work programmes and Chairs meet on a programmed basis with the Leader and Deputy Leader and Chairs of Area Committees as a Coordinating Board which is chaired by the Chief Executive. This board keeps an overview of the business of the Council. Select committee members have a clear appetite for the new arrangements and are committed to making them work to enhance the role of scrutiny.

The Council is rolling out new ways of working which is fundamental to transforming service delivery and addressing weaknesses in ICT services to support its implementation

29 The Council's Agile Working and Office Accommodation Strategy is fundamental to the shift in culture and service delivery required to transform service provision. The Agile Working Strategy was adopted by the Council in 2007 and it is anticipated that its successful implementation will fundamentally change and improve how services are provided to residents in the future. To support roll-out of the strategy, the Council had set a budget of £1.232 million. It anticipates that this will result in a range of financial and other savings, including:

- a reduction in the need for office space by 30 per cent in 2010 and 50 per cent by 2015;
- falling absenteeism with the move to home working; and
- a decline in business travel costs and staff travelling time.

30 The Council anticipates that this strategy will result in approximately £1.7 million savings over the next five years.

31 Delivery of the strategy is coordinated by a dedicated project manager. Roll-out includes regular communications with staff and members via written, electronic and face-to-face meetings. In addition, mentoring support meetings and mandatory change management training is also being provided for staff to equip them to better deal with these changes.



32 Agile working needs a continuing commitment to adequate resourcing and specific agile working HR policies need to be developed. The main challenge, however, remains the cultural change for staff that will be required to work in different ways with a heightened focus on outcomes and productivity rather than process and location.

33 ICT modernisation is essential in supporting the Council to transform its approach to service delivery and to embed agile working. ICT services have operated a technical helpdesk model and have not always been involved in delivery of specific projects. Indeed the service is viewed by some senior staff as disengaged and not always supporting the Council as a business.

34 The new Chief Executive has identified improvements in ICT as essential in supporting the transformation programme across the Council and has appointed an external Change Manager to oversee the service. The Change Manager is starting to address some of these issues. The service is being restructured with a move away from the old helpdesk model to one that is focused on supporting the implementation of agile working, improvements in service delivery and the broader organisational change programme. Cabinet has agreed to a relocation of its ICT operating platform and associated staff to a Shared Resource Service with Gwent Police and Torfaen County Borough Council based in Blaenavon. It is anticipated that the final business case will be approved in September 2010 and planning for this major collaborative change is advancing. Recurrent revenue savings in excess of £250,000 per annum are anticipated.

Partnership working and financial management systems are positively supporting improvement and are being integrated within a transformation programme, although there is further work to do

The Council demonstrates a clear commitment to partnership working

35 The Council is actively involved in the Local Service Board (LSB) which aims to ensure public services in the county are addressing issues of concern to the community. The new Chief Executive is working with partners to support improvement and has sought to build capacity within the LSB. The LSB has recently agreed its future priorities and is focusing on improving accessibility and sustainability within the county. A number of task and finish groups have been established to take forward this agenda and a range of initiatives around these two themes are being progressed. These initiatives are in the early stages of development and include proposals for the co-location of public sector services and the pooling of resources to deliver value for money.

36 Following the demise of the South East Wales Shared Services Project, the Council is exploring other ways of collaborating with neighbouring authorities and public bodies to identify capacity and capability across organisations and secure efficiencies in internal services and asset utilisation. For example, the Council is exploring the creation of a joint Internal Audit Team with Newport City Council, a joint Revenue and Benefits Team with Torfaen County Borough Council and a tri-partite adoption service with Newport City Council and Torfaen County Borough Council. It has been

successful in a joint approach with Newport and Torfaen in securing £14 million from the Assembly Government to take forward a programme targeted at introducing technology rich learning for secondary aged pupils. All four areas are expected to be confirmed before the end of the calendar year.

37 The Council is an active partner in the Gwent Frailty Project, Prosiect Gwyrdd and the South Wales Improvement Consortium with collaboration being seen as a major policy priority to secure future improvements and efficiency. The level of health and social care integration involving joint posts is well-advanced and has been the preferred model of local delivery for a number of years. Relations with the new Aneurin Bevan Health Board are evolving and it is recognised that further work is required to ensure joint working operates effectively to deliver improvement. We will undertake further work on partnerships and in particular with the LSB and with health as part of our ongoing Improvement Assessment work with the Council.

38 Whilst there is clear evidence that some partnerships work well, such as the Gwent Frailty Project and the Community Safety Partnership, and the Council is putting the arrangements in place to support effective joint working in others, 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.

The Council has good budget management control and its approach to medium-term financial planning is sound and clearly highlights the need to address the predicted short and medium-term budget deficit urgently

39 The Council's budget has been well-managed in recent years with balanced budgets achieved at both directorate and corporate level. The budget is set annually and follows a robust process which links to the medium-term financial plan. Directors are required to undertake an annual service assessment which identifies future budget pressures based on population changes, identified risks and the impact of national and local policy decisions as well as options for efficiency gains. This approach is subject to significant member challenges in shaping and agreeing the final budget. Bi-monthly budget management reports are produced and include information on performance by directorates highlighting whether spend is over or under budget and identifying future financial pressures.

40 The Council has identified that it is facing significant financial pressures. It has a medium-term financial plan in place which projects a rising revenue deficit of £3.176 million in 2010-11 which increases to £15.5 million by 2013-14. To address this gap in its finances, the Council has agreed some areas for disinvestment that are projected to produce savings of £2.4 million in 2010-11. It is also proposing to implement changes in staff terms and conditions, including:

- a reduction in car users' allowances and mileage rates and its replacement with a low emission tax incentive scheme to realise a further annual saving of £0.8 million; and



- a review of its direct labour organisation, whose bonus scheme, operational bases and performance have not been recently challenged.
- 41** The Council is in the process of determining a strategy which sets out how it will address the £15.5 million deficit in its entirety, with further work required to identify options to secure efficiency savings and reduce revenue spend. The existing medium-term financial plan has been updated to include the outcome of the recent 2010-11 budget decisions. It is anticipated that the revised plan will go to Council for approval in October 2010. There are a number of financial pressures which could detrimentally impact on revenue budgets. These include:
- The implementation of single status. The Council has set aside £5.064 million to cover this and is seeking agreement with the trade unions to backdate claims to April 2009. These discussions have yet to be concluded but it is hoped that a collective agreement agreed by trade unions at national level will be in place by September 2010 which will allow the process to advance.
 - The cost of implementing the outcome of the recently completed job evaluation exercise. This has been concluded and the costs associated with implementation have been modelled and may require additional resources.
 - The impact of MHA pulling out of service level agreements including the use of Council offices. The financial impact of this has been quantified and is likely to require some additional resourcing to offset the reduction in income from MHA.
- 42** One of the key policy shifts being proposed by the Cabinet and Corporate Management Team is the alignment of budget and resources with agreed corporate priorities. This change will require political agreement and recognition by the Council that it will not be able to fund all its services to consistently deliver improvement year in year. It is inevitable that some resources will need to be reallocated and realigned to deliver agreed strategic priorities. Where services are prioritised for funding, they will consequently be required to perform and consistently achieve improvement over time whereas in those services not prioritised and operating on tighter budgets, there will need to be an acceptance that there will be limited or no improvement in performance or, potentially, deterioration.
- 43** The debate on shifting resources to support corporate priorities has only just begun, but it does offer some opportunities to manage a reduction in revenue spend whilst maintaining and improving performance in respect of the Council's key priorities. This reduction will need to be carefully managed and aligned to other aspects of the transformational change programme, in particular workforce planning and asset management, if it is to deliver the level of savings required and ensure improvement is achieved. The Council will also need to consider the impact of resource shifts upon non-prioritised services. These impacts could lead to reductions in quality, restrictions on availability or even the complete cessation of some services.

There are good examples of decision making, managing and planning, supporting improvements within services. The Council needs to demonstrate consistently that these lead to improvements for its residents

Governance arrangements are effective but capacity issues mean they are not always delivering improvement

44 The Auditor General has defined good governance as 'ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely way.' Effective scrutiny plays a key role in good governance by challenging decisions and examining performance.

45 Our 2009 review of governance arrangements in Monmouthshire found that good governance principles are demonstrated in the way the Council works, although further work is needed corporately to embed them and harness their benefits to achieve better outcomes for citizens and service users. Whilst those involved in delivering services understand who does what and why, and some service areas are working together to improve outcomes, corporate arrangements could be strengthened to encourage more cross service area working and improve accountability to stakeholders. The Council recognises the need to challenge existing service models and examples of innovation in service delivery are emerging, but there will be challenges for decision makers who will need to act in a timely manner recognising that resources are a constraint.

46 The Council's Audit Committee has responsibility to ensure that arrangements for good governance are in place and operate effectively. It needs to discharge its wider remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions. This involves exercising greater oversight of non-financial governance and controls and ensuring that the Council's priorities, improvement objectives, projects, risks and performance are subject to appropriate scrutiny, challenge and evaluation. The Chair of the Audit Committee appreciates that there is scope for the committee to enhance its understanding of its roles in connection with other committees and functions and is eager for it to develop and improve.

47 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 requirement of the Governance Statement is a Code of Governance, setting out an authority's governance principles and arrangements. While overall responsibility for producing the Council's annual financial statements rests with the Head of Finance, the Chief Executive has the primary responsibility for the development and introduction of a Code of Governance. The Audit Committee needs to assure itself that the code is in place and operating effectively.



48 Some members feel that select committees are overloaded and did not have sufficient time to scrutinise and hold the executive and decision makers to account. The level of officer support provided to select committees is seen by members as being under-resourced. A budgetary commitment has been made to engage a further officer to support scrutiny to alleviate some limits on the scope and potential work of select committees. There are a number of examples of how select committees have influenced policy decisions effectively such as the provision of gypsy and traveller sites. However, some members cited instances where select committees have requested specific reports on services or information on performance that were not provided.

49 Whilst select committees receive information on service performance, they do not always receive regular updates on budget matters as these are reported to Audit Committee. Without this information, it is not possible for members to review performance and hold the executive to account.

50 Select committees are seeking to address some of these weaknesses and have recently introduced an approach to conducting service and cross-cutting reviews. These reviews are led by the individual select committee chairs, who also have the responsibility for writing and presenting reports that arise from the reviews. The system, which is in its early stages of roll-out, has already provided select committees with the opportunity to more effectively challenge and hold the executive and services to account and to identify opportunities for improvement.

51 There are no codes of practice in place to promote a consistent approach to scrutiny activity and support members in undertaking this important role. The Council has allocated one member the role of scrutiny champion but there is no officer scrutiny champion equivalent. The scrutiny champion role has a very broad remit and is not actively involved in the work of individual select committees.

Further work is necessary to ensure that the transformation programme is more widely owned within the organisation and to ensure that it is consistently supported by effective arrangements for workforce planning, performance and asset management

Service planning, prioritisation and consultation with stakeholders is not always consistent or effective in delivering improvement

52 The most recent CIP, dated 2009-10, set six strategic aims for the Council. These are as follows:

- Making Monmouthshire cleaner and greener
- Helping people enjoy healthier lives
- Creating learning opportunities for all
- Stimulating strong local economies
- Supporting stronger and safer communities
- Improving the Council's effectiveness

- 53** The CIP includes a range of broad actions intended to support delivery of these strategic objectives. This is supported by individual services who annually publish development and delivery plans. These plans set out in detail the actions, programmes of work and priorities for the service to both deliver these corporate plan priorities but also deliver improvement generally. Responsibility for development and delivery plan actions and targets are cascaded down to service teams and individuals and delivery is monitored through the Employee Review and Development Scheme.
- 54** We found a number of weaknesses in this approach. The CIP and development and delivery plans are not always clear and outcome-focused. In some areas, there are clear and appropriate measures of success that clearly link to the strategic objectives and are outcome-based. However, in others, they focus on process issues which do not contribute to delivery of the headline priorities. We also found that the linkage between CIP and development and delivery plans was sometimes weak and it was not always possible to show how services were contributing to delivery of corporate improvement priorities.
- 55** The Council has not yet updated the CIP through agreeing its priorities for improvement going forward. In setting its future strategic direction, it will need to consider:
- how the Council will manage the impact of reductions in public funding;
 - how the community will be engaged in setting priorities in order to manage citizens' expectations; and
- how community engagement will support the Council to make and implement potentially difficult and unpopular decisions.
- 56** Public services need to find ways of enabling citizens to have a meaningful say on things that matter to them whilst managing those citizens' expectations on what is achievable with finite resources. The Council has a good track record of consulting with service users and has developed a Public Engagement Strategy to underpin its approach. Generally, the processes used by the Council to engage with local residents have been department-led rather than corporate. Positive examples of effective department-led engagement with service users include the work of the three area committees, the consultation undertaken on school rationalisation and engagement in respect of the Children and Young People's Plan and Health Social Care and Well Being Strategy.
- 57** Key actions from the Public Engagement Strategy have not yet been implemented and the current level and quality of engagement is not sufficient to improve outcomes. The Council has recognised this deficit and has appointed a Citizen Engagement Manager to bring whole-authority focus to this agenda. There has been no recent citizen satisfaction or resident's survey. Previous practice in respect of the CIP has been to inform residents of proposals rather than to actively consult and involve people in setting priorities.



58 The Council is proposing to address this in the future and is developing a consultation database to support a more systematic and coordinated approach to consultation activity. It needs to ensure it captures, and is focused on, delivering improvements which will reflect the priorities and meet the needs of its communities and residents.

The Council faces significant human resource challenges going forward

59 The Council has a centralised HR department which provides the strategic lead on policy development and training within the Council. In addition, each department has devolved HR teams. These have responsibility for day-to-day people management issues within the individual services.

60 The Council adopted a People Strategy in 2008-09 with the aim of ensuring it developed a workforce with the right skills, knowledge and attitudes to achieve high-quality, innovative services. The People Strategy provides the strategic framework for the Council to equip its staff to deliver improvements in the future.

61 With the exception of Social Services, there has been no workforce planning undertaken within departments and there remains significant work to be done to determine future workforce needs. For example, the People Strategy identifies that some 63 per cent of employees are aged 40+ and departments need to agree how they will address the skills gap that will arise when people retire or leave the employment of the Council. These future pressures remain a key risk for the Council going forward.

62 The Council also faces a number of immediate HR issues. These include:

- A reduction in staff numbers by approximately 300 full-time equivalents in the next few years to balance budgets. This may require redundancies if savings cannot be achieved through other means.
- Addressing management of poor performance within the Council, particularly in respect of staff capability. Managers have not consistently dealt with poor performance and further work has been identified as being required to equip managers to undertake these challenging roles effectively. This is essential with the shift to more staff working outside of the traditional office environment and being required to self-manage.
- Revising the staff appraisal policy and the process for managing annual reviews to ensure it consistently linked individual officer's activity to delivery of improvement priorities and is used to manage their performance. We found that some staff's performance is not regularly reviewed in some departments, and that the quality of reviews is often poor and ineffective in supporting individual staff to improve.
- A number of major work programmes and initiatives are also likely to impact on the number and nature of skills the Council will require, including service modernisation and greater partnership collaboration, for example, the impact of the Gwent Frailty Project. These changes are likely to lead to overcapacity in some areas, shortages in others and changing staff skill sets.

63 The new Corporate Management Team has identified HR management and workforce planning as major priorities for the Council and work is due to commence on addressing these weaknesses. However, this will need to be underpinned and supported by an effective, adequately resourced HR function. The Council also needs to develop its vision for the future size and shape of service provision and manage any gap between its future needs and current staffing capacity and capability.

Weaknesses in performance, project and risk management are being reviewed to ensure arrangements actively support improvement

64 The Council has well-established systems for reporting and managing performance. These are primarily focused on quarterly performance monitoring reports which are monitored both by senior managers within directorates and the relevant select committee. Reports use a standard template and include information on business transactions and processes such as vacancy rates, sickness absence and lost telephone calls; a summary of progress in delivering the agile working action plan; and performance against national statutory performance indicators.

65 However, across the Council, weaknesses remain in identifying performance measures relevant to the desired objective and outcome, setting targets, and reporting a comprehensive and balanced picture of performance. There is a limited focus on citizens and the impact of activity on citizens and communities. An overreliance on national performance indicators is not serving the Council well and the proposed move to develop appropriate local

measures which are focused on measuring outcomes for citizens is appropriate.

66 Staff and members acknowledge that performance information is not comprehensive and needs to be refined. There are examples where reporting has enabled poor performance to be identified and effectively challenged. However, a number of the indicators and the systems used to evaluate performance are not robust. For example, the Council regularly reports performance to Select Committee using the national strategic indicators. In respect of highways, two measures are in reported relating to road condition. The information provided simply lists performance and no comparison is provided with other councils to show how well Monmouthshire is doing or proposals to improve performance. Similarly, they do not cover the full range of services provided by the Council in respect of highways.

67 Performance measures are also not clearly aligned to the key aims of the CIP which makes it difficult to assess whether improvements on the Council's core priorities are being realised. For example, under improved traffic management and road safety, the measures of success was identified as a series of presentations to area committees setting out proposals to change the way the Council looked at road safety and the development of a study into the potential for off-street car parking. Both of these focus on process not outcome.



68 Corporately, the Council does not use benchmarking data to identify options for improvement although there is some activity within some directorates. For instance, the Council participates in the South Wales fleet benchmarking group. These groups are viewed as being very labour-intensive and the outcomes have not always resulted in significant benefits for the Council.

69 Improvements in performance management are necessary to support delivery of improvement objectives and a range of other improvements, many of which will depend upon an understanding of local rather than national performance indicators. The introduction of the Ffynnon pan-Wales performance management system could establish more accuracy and consistency in how performance information is collected, assembled and presented. It also needs to support a change in culture so that the performance management system supports the operational management of performance as well as providing information to facilitate reporting.

70 There is no agreed system or approach to effectively manage major projects within the Council; they tend to be managed within departments. Some staff have received formal project management training, such as PRINCE2 (Projects in Controlled Environments), and there are some clear examples of good project management principles being applied in delivering changes such as the Agile Working and 21st Century Schools initiatives. Managers are often required to balance delivery of major projects with day-to-day work which often impacts on their delivery and success. There also remains an inconsistent approach to post-project evaluation and not all projects benefit from systematic evaluation to identify further options for improvement.

71 The Council's approach to management of risk has not always been effective. Risks are captured at an operational level within individual development and delivery plans. The Council brings these together into a whole-council joint risk assessment. Whilst the development and delivery plans provide a framework to identify risk, they are not an effective system for managing it. They are not reviewed and updated annually and their focus is operational rather than strategic. A new risk assessment process is being implemented which will replace the old joint risk assessment approach. The new risk management template is proposing to focus on assessing and managing risk at both a service-specific and corporate level. We intend to undertake more detailed work on the Council's changing approach to risk management in the future.

The Council does not have sufficient capital monies or an up-to-date asset management plan to address identified investment needs

72 The Council currently manages an ageing building stock and is seeking to relocate its civic offices from county hall in Cwmbran, which is in Torfaen, to a new civic centre in Usk and central functions to offices in Magor in the next 12 to 18 months. This will enable the Council to relocate the bulk of its remaining office-based services back within the county.

73 The current Asset Management Plan was adopted in 2003 and is out of date. There is also a separate Asset Management Plan for Education which is also out of date, having been developed in 2003. The Council is updating both of these, the latter as part of its 21st century schools programme, and expects to complete the exercise by the end of the calendar year.

- 74** In terms of capital investment, the Council has identified a need for significant resources to improve infrastructure, develop new services and upgrade existing facilities. The predicted capital requirement is £167.2 million across the Council and includes over £70 million for school modernisation, £51 million for highways improvement and £17 million on property maintenance arising from stock condition survey assessments.
- 75** Capital receipts have fallen in recent years and the Council anticipates that it will raise no more than £1 million in the current financial year from sale of assets. As a consequence of the current downturn in the housing market, the Council is reviewing its medium-term capital programme and recognises it will need to quickly realise income from the sale of major assets, such as the Abergavenny market site, in the near future if its major projects are to be delivered.

