

Review of Performance Management Arrangements – Merthyr Tydfil County Borough Council

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Summary report

What we looked at – the scope of this audit

- 1 This audit focused on the Council's arrangements for managing its performance at a corporate and service level. It did not cover the Council's arrangements for individual/staff performance.
- 2 As we had recently done a review of performance information¹ focusing on outcomes and service user perspective information, this review did not go into too much depth on this but did look at what the Council is doing to respond to the recommendations we made in that report. We did not do a detailed review of the Council's scrutiny arrangements as part of this work.
- 3 We set out to answer the question: Does the Council have proper arrangements in place to manage its performance?
- 4 We did this by exploring the following questions:
 - Does the Council have a clear performance management framework that supports delivery of its corporate objectives?
 - Does the Council have arrangements to effectively monitor and challenge performance?
 - Has the Council reviewed the effectiveness of its performance management arrangements?
- 5 **Appendix 1** sets out the detailed questions we set out to answer along with the audit criteria we used to arrive at our findings.
- 6 Our review was informed by document reviews and interview with officers and members. We also held a focus group with officers.
- 7 We undertook the review during the period May 2024 to June 2024.

Why we undertook this audit

- 8 This audit was undertaken to help fulfil the Auditor General's duties under section 17(2)(d) of the Public Audit (Wales) Act 2004 and Section 15 of the Well-being of Future Generations Act (Wales) 2015.
- 9 We sought to:
 - gain assurance that the Council has proper arrangements to manage its performance; and
 - identify areas of the arrangements that can be strengthened.
- 10 To understand why we have done a review of performance management, it is useful to recap on the Council's position and background since 2019, and the

¹ [Use of performance information: service user perspective and outcomes - Merthyr Tydfil County Borough Council](#)

findings from our previous work and that of others on performance management since then.

- 11 In 2019, the Council requested support from Welsh Government as it was experiencing a range of significant challenges. In May 2019, we had written to the Council setting out a number of concerns, which covered financial situation, service pressures, leadership and capacity, and governance.
- 12 Welsh Government commissioned an independent review of the Council's position by John Gilbert, who published his report in September 2019.
- 13 Welsh Government then agreed and provided a package of support to the Council from Autumn 2019 until summer 2022. An Improvement and Assurance Board was established as part of this. The Board included a core team of four external advisors who were appointed by Welsh Government. The Core Team published a Rapid Assessment report on the Council in December 2019.
- 14 Both the John Gilbert and Rapid Assessment reports identified concerns about the Council's performance management arrangements.
- 15 In August 2020, the Council developed a Recovery, Transformation and Improvement (RTI) Plan 2020-25, which set out a series of actions aimed at transforming and improving the Council. It served to provide a roadmap for the Council's strategic planning and priorities at that time. This included the Council's plans for recovery post-Covid. Since the end of the support package, the Council has sought to embed the RTI plan into its Corporate Plan.
- 16 The Improvement and Assurance Board met regularly during the support package. The Board would discuss and challenge the Council's progress with its RTI plan and in addressing the concerns identified in the Rapid Assessment report. This included regular discussion about the Council's progress in strengthening its performance management arrangements, for example the development of its corporate dashboard.
- 17 In April 2021² we reviewed the Council's progress in addressing the concerns identified in our letter issued to the Council in May 2019, and those identified in the September 2019 John Gilbert report³, and the December 2019 Improvement and Assurance Board's Rapid Assessment report⁴. In our 2021 report, we made ten statutory recommendations, including one for the Council to continue to strengthen its performance management arrangements and culture. We identified that the Council needed to use arrangements effectively to monitor and challenge performance at individual, service and corporate levels, and to ensure these arrangements were robust to support the delivery of the RTI Plan.

² [Assessment of progress to address key concerns](#)

³ [John Gilbert Scoping Review, September 2019](#)

⁴ [Merthyr Tydfil Improvement and Assurance Board, Rapid Assessment for Welsh Government, December 2019](#)

- 18 In early 2022, we were encouraged by some of the steps the Council was taking to strengthen its performance management arrangements:
- our observation of the first round of quarterly performance improvement reviews (QPIRs) had found that these were providing a mechanism for accountability as well as consideration of corporate solutions.
 - the Council had developed a corporate dashboard, but it was just being used by senior management, and at that time it was difficult to determine its impact.
- 19 However, as part of our recent Assurance and Risk assessment work, we identified some concerns that the Council's progress in addressing our recommendation in our 2021 report to strengthen its performance management arrangements had stalled. We, therefore, set out in our 2023 audit plan that we would do a review of the Council's performance management arrangements.
- 20 The findings from our examination of the Council's setting of its well-being objectives also have relevance to this review. In September 2023, we issued our report on the Council's setting of its well-being objectives⁵. We found that there was scope for the Council to strengthen its arrangements to support effective delivery and monitoring of its well-being objectives. At the time of our fieldwork, the Council had not decided how it would monitor its progress in delivering its well-being objectives. In our report, we included five recommendations, three of which are performance management related.
- 21 In October 2023, we issued our report on the Council's use of service user perspective and outcomes information. We concluded that performance information provided to senior leaders does not generally enable them to understand the perspective of service users and the outcomes of the Council's activities. This restricts their ability to understand the impact of the Council's services and policies. The Council agreed our findings and completed an organisational response form setting out how it would address our recommendations. The Council had indicated that most actions would be complete by February and March 2024.

Why performance management is important

- 22 It is important for councils to have effective performance management arrangements to help them understand their performance and progress towards achieving their objectives and to take action where necessary. As councils are increasingly facing significant financial and demand pressures, performance management arrangements are vital to help councils focus on achieving outcomes and to help determine if public money is being spent wisely. Performance management arrangements also help to hold members and officers to account.

⁵ [Setting of Well-being objectives – Merthyr Tydfil County Borough Council](#)

- 23 The Local Government and Elections (Wales) 2021 Act⁶ set out a new improvement regime for councils. The Statutory Guidance on Part 6, Chapter 1⁷ of this Act, which focuses on the exercising of performance and governance functions, underlines that the Act firmly defines councils as self-improving organisations through a system based on self-assessment and panel performance assessments. This approach is intended to build on and support a culture in which councils continuously challenge the status quo, ask questions about how they are operating, and consider best practice in Wales and wider. It is about ‘seeking to ensure the best outcomes for the people they serve.’
- 24 Under the Act, the Council is required to keep under review the extent to which it is fulfilling the ‘performance requirements’ that is, the extent to which:
- it is exercising its functions effectively;
 - it is using its resources economically, efficiently, and effectively; and
 - its governance is effective for securing the above.

What we found

- 25 Overall, we found that there are significant weaknesses in the Council’s performance management arrangements. This is concerning as we previously recommended the Council strengthen its arrangements.
- 26 We reached that conclusion because:
- the Council’s performance management framework has not been implemented consistently and effectively, and therefore does not support delivery of its corporate objectives;
 - there are weaknesses in the Council’s arrangements to monitor and challenge performance; and
 - the Council has reviewed the effectiveness of its performance management arrangements, and identified areas for improvement, but it has not implemented them or sustained progress in previous planned improvements raising concerns about the extent to which the Council has an effective performance management culture.
- 27 Although the Council recognises that it needs to improve its performance management arrangements, and understands its areas of weakness, we are concerned at the slow rate of progress that it has made since our 2021 report. In some areas, it seems progress has gone backwards. It has developed and started different approaches or arrangements designed to help improve its performance management arrangements, but these have generally not been maintained. While

⁶ [Local Government and Elections \(Wales\) Act 2021](#)

⁷ [Performance and governance of principal councils – Statutory guidance on Part 6, Chapter 1 of the Local Government and Elections \(Wales\) Act 2021](#)

there are some mitigating factors for this, it is important that the Council implements improvements to its performance management arrangements at the earliest opportunity.

28 The Council requested and received support over two years from Welsh Government to help it address a number of challenges, which included strengthening its performance management arrangements, so I am particularly concerned about the findings from this review. Crucially, in my role as Auditor General for Wales, the findings raise a significant question as to whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. My audit team will continue to monitor the Council's progress in addressing the recommendations in this report and I would hope to see considerable improvement over the next 12 months.

Recommendations

Exhibit 1: recommendations

Recommendations	
R1	<p>The Council should strengthen its service planning and self-evaluation arrangements. As part of this, it should:</p> <ul style="list-style-type: none">• implement a consistent approach to service planning;• ensure there is correlation between priorities for improvements identified in self-evaluations and service plan priorities; and• ensure there is a standardised and documented quality assurance process for service planning and self-evaluations.
R2	<p>To increase the likelihood of successful implementation of its revised performance management arrangements, the Council should:</p> <ul style="list-style-type: none">• ensure that proposed improvements to its performance management arrangements are achievable within resources, and reflects its maturity by having a staged approach to delivery;• adopt rigorous programme management principles to facilitate the implementation of its new arrangements; and• explore how other organisations are managing performance and apply any learning from that.

Recommendations

R3 The Council should strengthen its performance management reporting and oversight arrangements to enable there to be a greater understanding and managing of service and corporate performance, to help the Council consider how it can make the best use of its resources in its decision-making and to help strengthen accountability for performance. To help do this, the Council should:

- align performance, financial and risk management reporting;
- ensure progress against identified priorities is measured and monitored,
- ensure data is presented in a way that supports understanding;
- ensure there is clarity on the responsibilities and accountabilities of officers and members for managing performance; and
- capture minutes or action notes from both formal and informal boards/committees to help ensure actions are followed up and that there is evidence that performance is effectively managed.

R4 Underpinning all these recommendations, the Council's leadership (both senior officers and members) will need to ensure that it proactively drives and underlines the importance of corporate performance management across the organisation. Leadership needs to set the example to the rest of the organisation that it is committed to embedding a strong corporate performance management culture across the Council. To a certain extent, this will be manifested through its ability to address our other three recommendations, but it will also be down to actions and tone from the top of the organisation.

Detailed report

There are significant weaknesses in the Council's performance management arrangements. This is concerning as we previously recommended the Council strengthen its arrangements

The Council's performance management framework has not been implemented consistently and effectively, and therefore does not support delivery of its corporate objectives

- 29 The Council has defined its intended outcomes in its Corporate Plan 2023-2028. In June 2024, it adopted 32 performance indicators which it will use to measure progress against the Council's well-being objectives. But given we recommended in our Setting of well-being objectives report in September 2023 that the Council should develop measures and determine how it would monitor progress with its Corporate Plan, the Council has been slow to address those recommendations.
- 30 The Council has a guidance document which sets out its Performance Management and Quality Assurance Framework, which it developed and agreed alongside its previous Corporate Plan. The document is dated 2021 and the Council is currently reviewing it following the adoption of its new Corporate Plan.
- 31 The existing Performance Management framework document sets out at a theoretical level how performance will be managed. However, the findings from our review underline that this framework has not been applied fully and consistently. This is despite the Improvement and Assurance Board regularly discussing and agreeing the Council's approach to performance management during 2020-22.
- 32 The Council began reviewing its Performance Management framework in autumn 2023. It has engaged members in its plans to make its three-layer approach (corporate, service and individual) easier to understand and implement. The proposed approach, which went to the Corporate Support and Resources Scrutiny Committee in November 2023, sets out how measuring and managing organisational service delivery and the Council's improvement could be viewed and analysed at the three different levels. The draft approach also sets out accountable officers for each level and where progress would be reported. However, at the time of our fieldwork, the Council had not progressed with finalising its new framework. This is despite the new Corporate Plan having now been in place for 12 months.
- 33 Key elements of the Council's existing performance management framework include self-evaluations and service plans. However, we found weaknesses in the Council's service plans and Directorate self-evaluations which undermine the extent to which they can be used to support delivery of the Council's objectives. We found that:
- not all services have service plans.

- the quality of service plans was variable.
- whilst the plans in Education and Public Protection show how service priorities align with corporate objectives, others do not.
- the gaps and inconsistency in service planning means that there is a disconnect between service objectives/priorities and the Council's well-being objectives.
- links between priorities for improvement identified in directorate self-evaluations and service plans are weak. It was difficult to see how self-evaluations had usefully shaped service plans.
- the Council does not have a robust quality assurance process for service planning.

34 As service planning and self-evaluations are intended to help the Council plan delivery of its services and understand how it is doing against those plans, the weaknesses we have identified means that its difficult for the Council to fully understand the factors contributing to performance. For example, if priorities for improvement identified in a self-evaluation are not progressed or identified in service plans, this limits the ability to inform future allocation of resources and accountability.

There are weaknesses in the Council's arrangements to monitor and challenge performance

35 Apart from the statutory annual self-assessment report, and the annual Directorate self-evaluation reports, the Council does not produce any other consistent and regular corporate performance reports. Ad hoc reports are provided to Scrutiny and/or Cabinet on request, or when the Director or Head of Service needs to escalate an issue. The lack of regular performance reporting hinders the Council's ability to understand progress against its well-being objectives and whether it is achieving its intended impact, and to inform it decision-making and use of resources. It also makes it more difficult for the Executive to be held to account.

36 The Council used to operate Quarterly Performance Improvement Reviews (QPIRs) where members and officers would meet to discuss and challenge progress of a particular directorate or area. One of the intentions behind the QPIRs was to ensure corporate ownership and overview of Directorate performance. As mentioned in paragraph 18, we were initially encouraged by our observation of these meetings in 2022. However, the Council has not held QPIRs since June 2023. It recently restarted them in June 2024.

37 The Council has developed scorecards with 32 measures aligned to its well-being objectives, which will be considered at the reinstated QPIR meetings. However, we found that the quality of narrative against each measure varies.

38 There are weak arrangements for the oversight of performance. Within services, we were told that there is oversight of performance, however this oversight cannot

always be evidenced. In part, this is because services do not minute such meetings or record arising actions. Similarly, interviewees told us that there are regular performance discussions at Corporate Management Team (CMT) and Cabinet level, but these meetings are also not recorded making it difficult for the Council to track progress against actions. As a result, whilst the Council has agreed its well-being objectives, there are limited mechanisms for members to monitor and challenge progress, and to be held to account, and there is often more informal rather than formal consideration of performance.

- 39 There are some positive aspects to the Council's performance management arrangements. The scrutiny report template includes headings for service areas to draw out the past, present and future picture, and subsequently attempts to give a more rounded view of performance. We have seen examples of reports to scrutiny committees which enable members to get an understanding and overview of performance of aspects of services, such as an update on Estyn inspection outcomes, and recycling performance. Furthermore, the Council's annual self-assessment includes benchmarking data against certain performance indicators with Rhondda Cynon Taf, Torfaen and Blaenau Gwent Councils over the preceding two financial years. This is helpful comparative information.
- 40 However, in general, as we found in our October 2023 performance information report, information on outcomes is limited. The Council has not made much progress to date in addressing the recommendations in that report.
- 41 The Council also only sets short term annual performance indicator targets, so it is difficult to understand the intended direction of travel over the medium to long term. This lack of direction makes it difficult for the Council to understand where resources need to be directed when forward planning.
- 42 There are no clear links between the Council's performance, finance and risk management arrangements which limits its ability to take an integrated approach to understanding the use of its resources and performance. The Council intends to develop a dashboard that aligns these, but it is very much in the early stages of doing this. The Council had previously developed a corporate dashboard in 2021-22, which it had begun to use at a corporate management level, but despite plans to use this more widely, this has not happened, so this this gives us concern about the Council's ability to progress this latest dashboard.

The Council has reviewed the effectiveness of its performance management arrangements, and identified areas for improvement, but it has not implemented them or sustained progress in previous planned improvements raising concerns about the extent to which the Council has an effective performance management culture

- 43 The Council has recently conducted a gap analysis of its performance management arrangements to identify areas for improvement. It presented a proposed new approach to performance management to the Corporate Support and Resources Scrutiny committee in November 2023, and it is trying to address some resourcing issues by appointing to new posts including a Director of Corporate Services.
- 44 The Council has plans to develop an ambitious performance management framework. However, given we have found the Council has struggled to maintain momentum in progressing or sustaining some of the changes it made during the support package, and against a backdrop of limited resources, we are not wholly confident in the Council's ability to implement its plans successfully.
- 45 The Council should ensure that proposed improvements to its performance management arrangements are achievable within resources and reflects its maturity by having a staged approach to delivery. At the moment, we would describe the Council as having a low level of maturity in terms of its performance management arrangements. Performance management arrangements do not need to be complex. They need to be focused on enabling the Council to understand its performance and progress towards achieving its objectives and to take action where necessary.
- 46 There are pockets of positive activity such as learning away days, and at a service level, there are networks to meet to discuss operational issues and engage in regional and national forums. Whilst the Council had previously engaged with other councils to understand how it could improve aspects of its arrangements, such as around data, it has not explored opportunities for further shared learning at a strategic level in recent years. There has also been limited training on performance management.
- 47 In our 2021 report, we underlined that performance management is as much about behaviour, clarity, and open conversations as it is systems. The tone from the top and the support provided to staff and managers to help get the most out of the arrangements are important. In that report we emphasised that given all the different actions and aspirations in the RTI Plan, it was vital that the Council's performance management arrangements were used effectively to monitor and deliver the plan and achieve the desired level of improvement.
- 48 In early 2022, we were optimistic about the Council's progress in strengthening its performance management arrangements and recommended that it maintained

momentum in doing this. However, our current findings show that the Council has made limited progress to do this and indeed that progress has regressed. Challenge of performance is inconsistent at an operational and corporate level. There is not an integrated understanding of performance across Directorates to enable the Council to see the sum of its efforts, and to facilitate strategic understanding of performance against its well-being objectives. We found that reporting and oversight of performance has lapsed at a corporate level and there is an inconsistent understanding of roles and responsibilities around performance management and accountability.

- 49 Overall, our findings give us cause for concern and raises fundamental questions about the extent to which there is an effective performance management culture in the organisation. The Council has included an action around culture change to help address one of the recommendations we made in our Setting of Well-being objectives report. The Council identified an ongoing action that 'addressing this (culture change) is a focal point in our strategies and frameworks. We aim to transition towards a clearer understanding of our priorities and outcomes, emphasising everyone's contribution to them.' We will be keen to see how the Council does this.

Appendix 1

Audit questions and criteria

Below are the questions we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Main audit question: **Does the Council have proper arrangements in place to manage its performance?**

Exhibit 2: audit questions and audit criteria

Level 2 questions	Level 3 questions	Criteria
Does the Council have a clear performance management framework that supports delivery of its corporate objectives?	Has the Council clearly defined its intended outcomes and how it will measure progress against these?	The Council's Corporate Plan clearly articulates aims, priorities and intended outcomes. The Council has a Performance Management Framework that maps out how the Council plans and monitors progress against its objectives.
	Does the Council have service/action plans to support delivery of its corporate objectives?	Service plans show clear alignment to the Council's corporate plan, demonstrating how the service will help meet corporate objectives where relevant. Arrangements are in place to quality assure service plans.
	Is there a performance management culture within the organisation?	Senior leaders drive the focus on, and underline the importance of, performance management. There is open and constructive debate about performance using an evidence-based approach to facilitate learning and accountability. Performance management is an integral part of how the Council operates.

Level 2 questions	Level 3 questions	Criteria
Does the Council have arrangements to effectively monitor and challenge performance?	Does the Council provide regular and robust, performance reports that enable it to understand its progress against its corporate objectives and whether it is achieving its intended impact?	<p>Members and officers have clearly defined roles in relation to managing performance.</p> <p>The Council provides performance management training to members and officers.</p> <p>The Council produces regular (e.g. quarterly or biannual) performance reports that are evaluative and clearly show its progress against its objectives.</p> <p>The Council uses a wide range of performance information (qualitative and quantitative) to monitor and manage performance.</p> <p>The Council is addressing the recommendations we made in our performance information report (strengthening its outcomes and service user perspective performance information)</p>
	Is the Council reviewing progress against a balance of short (1yr), medium (1-3yrs) and longer-term (3-5yrs) objectives/outcomes?	<p>The Council produces performance reports that show progress against expected time points.</p> <p>The Council includes comparative information, trends, and forecasts.</p>
	Is Corporate and Directorate performance reporting aligned to financial and wider resource planning?	<p>Performance management is integrated with the Council's resource and risk management arrangements to ensure there is a rounded focus on delivery against the Council's objectives and to help it understand if it is achieving value for money.</p> <p>The Council presents its budget monitoring reports at the same meeting as performance</p>

Level 2 questions	Level 3 questions	Criteria
		reports to enable Members to consider resources and performance together.
	Do the Council's arrangements enable it to recognise and learn from good performance, and tackle poor performance?	There is evidence of the Council taking action to address poor performance. The Council can provide examples of where its performance management arrangements have had a positive impact on service delivery.
	Is there effective oversight of performance?	Cabinet and Scrutiny make use of performance information to inform decision making and to enable them to understand and challenge performance. There is regular review and discussion of performance at senior management and Cabinet level. There are arrangements to manage performance at Directorate level and to escalate issues when necessary. There is accountability for performance.
Has the Council reviewed the effectiveness of its performance management arrangements?	Has the Council explored and learnt from how other organisations manage performance?	The Council has actively looked into how other organisations are managing their performance and can demonstrate the application of any learning from this.
	Has the Council reviewed and updated its performance management arrangements?	The Council has evaluated its arrangements to understand what works and what needs to improve and has taken action to strengthen its performance management arrangements as a result.



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