Follow-up on the Recommendations Issued in the Auditor General for Wales' Report in the Public Interest (Stage 2) – Pembrokeshire County Council

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Contents

Summary report

What we reviewed and why

1 The Auditor General for Wales issued Pembrokeshire County Council (the Council) with a Report in the Public Interest in January 2022[1]. The report identified deficiencies in governance and decision making in relation to the way the Council dealt with a departure payment made to the former Chief Executive. In his report, the Auditor General made eight recommendations to the Council covering:

- roles and responsibilities;
- member/officer relationships;
- decision making;
- termination payments;
- pay policy statement;
- procurement and use of external advisors;
- the Council's constitution; and
- adherence to the Nolan Principles of Public Life.

2 We undertook a Stage 1 Follow-up review to assess the Council's progress in taking effective action to address the recommendations in the Auditor General's report and reported our findings in July 2023[2]. Overall, we found that, at the time, the Council was making progress in addressing the recommendations in our Report in the Public Interest but needed to assure itself and demonstrate that the actions it was taking were sustainable and would achieve the intended impacts. We issued one additional recommendation to the Council that it needed to assure itself and demonstrate that the actions it was taking to address the recommendations in our Report in the Public Interest are sustainable and will achieve the intended impacts.

3 Against the Council's original target deadlines included in its Corporate Governance Improvement Plan, action should now be complete on all the recommendations made by the Auditor General for Wales. This Stage 2 Follow-up review provides our updated assessment on the Council's progress.

4 Our objective for this audit was to assess the Council's progress in taking effective action to address the recommendations in the Auditor General for Wales' Report in the Public Interest issued in January 2022 and in the stage 1 Follow-up report issued in July 2023.

5 We undertook the review during the period October to November 2024.

[1] Audit Wales, Deficiencies in Pembrokeshire County Council's Governance and Decision Making Relating to the Departure of its former Chief Executive with a Termination Payment, January 2022

[2] Audit Wales, Follow-up on the Recommendations Issued in the Auditor General for Wales' Report in the Public Interest (Stage 1) – Pembrokeshire County Council, July 2023

What we found

6 Our review sought to answer the question: Is the Council taking effective action to address the recommendations in the Auditor General for Wales' Report in the Public Interest issued in January 2022 and in the Stage 1 Follow-up report issued in July 2023?

7 **Appendix 1** contains the audit questions and criteria.

8 Overall, we found that: The Council continues to make progress in addressing the recommendations in our Report in the Public Interest, but it is not clear how it is assuring itself that the actions it is taking are sustainable and will achieve the intended impacts. We reached this conclusion because:

- the Council is continuing to make progress in addressing the recommendations in our Report in the Public Interest; but
- it is not clear how the Council is assuring itself whether the actions it is taking are sustainable and will achieve the intended impacts.

9 We have not issued any new recommendations in this report, but will continue to monitor the Council's progress in implementing the existing recommendations as part of our ongoing assurance and risk assessment work.

Detailed report

The Council is continuing to make progress in addressing the recommendations in our Report in the Public Interest, but it is not clear how the Council is assuring itself whether the actions it is taking are sustainable and will achieve the intended impacts

The Council is continuing to make progress in addressing the recommendations in our Report in the Public Interest

10 In reaching this conclusion we found that:

- the Council is taking action on all eight of the recommendations made in the Report in the Public Interest;
- four of the recommendations have been met and four have been partially met;
- the Council has improved: the definition of Member/officer roles and responsibilities, arrangements for dealing with Member/officer complaints, Pay Policy Statement, and the Council's constitution;
- the Council has yet to fully implement its actions to address: delegated decision making, guidance on termination payments, and guidance and training on the procurement of external advisors;
- **Exhibit 1** sets out a summary of our findings against each of the recommendations.

11 The actions the Council is taking are helping to strengthen its governance arrangements.

It is not clear how the Council is assuring itself whether the actions it is taking are sustainable and will achieve the intended impacts

12 In reaching this conclusion we found that:

- in our Stage 1 Follow-up report (July 2023) we issued a further recommendation which was that 'the Council needs to assure itself and demonstrate that the actions it is taking to address the recommendations in our Report in the Public Interest are sustainable and will achieve the intended impacts'. **Exhibit 2** sets out a summary of our findings against this recommendation. Our finding is that the recommendation has been partially met.

- the Council has periodically reported on the action it is taking in response to our recommendations to Council and the Governance and Audit Committee. However, those reports included limited insight about the impact of the actions it is taking.
- when new procedures or policies are introduced, the Council has not always clearly set out a robust mechanism to ensure that:
  – these are communicated to relevant Members/officers;
  – people are trained in the new arrangements; and
  – that subsequently there are mechanisms in place to check that the new procedures or policies are being adhered to.
- some of the recommendations that we made in the Report in the Public Interest relate to the culture of the organisation eg ensuring that officers and Members understand their fundamental obligations as public servants to adhere to the Nolan Principles of Public Life. Despite some progress in implementing these recommendations, the Council will need to plan for how it maintains a focus and assures itself on these cultural elements.
- without clearly setting out how it intends to monitor the outcomes of the actions it is taking to strengthen its governance arrangements, the Council risks not being able to demonstrate whether the changes are being embedded and having a sustained, positive impact.

Next steps

13 We will continue to monitor the Council's progress as part of our ongoing assurance and risk assessment work.

Exhibit 1: recommendations from our 2022 report and findings

The table below sets out a summary of our findings against each recommendation issued in our 2022 report.

Recommendations from our 2022 report and findings
Recommendation 1 – Roles and responsibilities The Council should ensure that: • the respective roles and responsibilities of Members and officers have been clearly defined; • Members and officers are able to demonstrate a clear understanding of their respective roles and responsibilities; and • relationships between Members and officers are constructive and respectful.
Finding – recommendation met • The Council has adopted a revised constitution which clearly sets out the respective roles of Members and officers. Members and officers have received training in the revised constitution. • Member training on roles and responsibilities and Member/officer relationships was delivered in February 2024. • The Council has undertaken work with its senior officers to understand their perspective on Member/officer relationships but has not yet undertaken a similar exercise to gain Members' views. • In the meetings we observed, the relationships between Members and officers were generally constructive and respectful, which reflects the perspective of officers and Members we interviewed.

Recommendations from our 2022 report and findings

Recommendation 2 – Member/officer relationships

The Council should review whether its current arrangements for dealing with Member/officer complaints and disputes are fit for purpose. This should include:

- ensuring that it has effective informal mechanisms in place to seek early resolution to disputes and avoid unnecessary escalation through formal processes; and
- strengthening the section of the Council's constitution that covers Member/officer relationships to include a clear informal mechanism that officers can use to seek resolution of relationship difficulties with Members.

Finding – recommendation met

- The Council has reviewed its arrangements for dealing with Member/officer complaints and has put in place informal mechanisms to seek to avoid unnecessary escalation through formal processes.
- The Council has strengthened the constitution in relation to Member/officer relationships. Section 22 of the revised constitution sets out the Protocol on Member/Officer Relations. **Appendix 3** of this section includes a straightforward, informal officer/Member resolution process.
- The Council reports that there have not been any complaints by officers or Members since 2023.

Recommendation 3 – Decision-making

The Council should:

- ensure that its decision-making procedures are clearly set out, understood and adhered to by Members and officers alike;
- ensure that when making decisions that relate to the use of significant amounts of public money (as defined by the Council), value-for-money considerations are properly considered and documented;
- ensure that its delegated decision-making arrangements are fit for purpose, and Members and officers adhere to their levels of delegated authority;
- remind Members and officers that significant and/or controversial decisions should not be taken by officers using delegated powers; and
- ensure clear accountability and consistency in securing the provision of governance advice.

Recommendations from our 2022 report and findings

Finding – recommendation partially met

- The constitution has been updated and this now clearly sets out the Council's arrangements for decision making.
- The process for the production and internal sign-off/clearing of committee reports has been formalised. There is now a documented process for producing reports that clearly sets out all aspects that report authors must include. This is supported by a system of informal and pre-Cabinet meetings through which reports go, which gives earlier oversight of reports to both Cabinet Members and officers.
- Training on decision-making is available to both Members and officers via the Council's online training system.
- The Head of Law and Governance undertakes the statutory role of Monitoring Officer for the authority. That role appears to be well respected by both Members and officers, and the law and governance team are being utilised increasingly for the provision of governance advice.
- **However, the arrangements for taking and recording officer-delegated decisions do not provide assurance that: officers are consistently complying with the levels of delegation, that the reports contain all the required information, and that they are reported in a transparent way**.

Recommendation 4 – Termination payments

The Council should ensure that all future termination payments made to Chief Officers are:

- supported by proper business cases;
- determined in accordance with legislative, constitutional requirements and the Council's approved pay policy statement; and
- reported in a transparent way.

Finding – recommendation partially met

- The Council is developing a new chief-officer exit arrangements guidance note to clarify arrangements for future termination payments related to chief officers. The new guidance covers the issues in our recommendation (ie that they must be supported by a business case and determined in accordance with legislative/constitutional requirements).
- **Annually the Council must produce a pay policy statement. The new guidance will form part of the Pay Policy 2025-26, which is due to be adopted by Council in March 2025**.

Recommendations from our 2022 report and findings
Recommendation 5 – Pay Policy Statement The Council should review and update its Pay Policy Statement to ensure that it is comprehensive and provides sufficient flexibility in relation to exit payments on termination of chief-officer employment.
Finding – recommendation met • The Council has reviewed its Pay Policy Statement for 2024-25 and this was approved by Council in March 2024. • The policy provides greater flexibility in relation to exit payments on termination of chief-officer employment.
Recommendation 6 – Procurement and use of external advisors The Council should review and implement a programme of officer awareness and training to ensure robust procedures for procuring and using external advisors are properly embedded and cover: • considerations being taken into account in deciding whether to appoint external advisors; and • provision of written instructions to external advisors.

Recommendations from our 2022 report and findings

Finding – recommendation partially met

- We found no further progress had been made on this recommendation since our Stage 1 Follow-up report (July 2023). That report stated that 'in March 2023, the Council provided a written instruction to staff around the procurement and use of external advisors. This procedure note does cover 'written instructions' in so far as it states that the contract manager 'must ensure that a clear specification or terms of reference are developed'. **The procedure note does not include the considerations officers should take into account when deciding whether to appoint external advisors. We highlighted the need for a mechanism for assessment in our July 2023 report**.
- **The procurement procedure notes that are being produced are not currently being published alongside the contract procedure rules. The impact of this is that there is a risk that staff may not be aware of the requirements set out in the procurement procedure notes and not comply with them**.
- **The Council has not undertaken any training for relevant officers on the new procedures for procuring and using external advisors, which we highlighted as a future action needed in our July 2023 report**.

Recommendation 7 – The Council Constitution

The Council should review and rewrite its Constitution to ensure that it reflects legislative requirements, its content is consistent throughout and consistent with any significant Council policies and procedures, is easy to navigate and it follows good practice.

Finding – recommendation met

- The Council reviewed its constitution, using the national Model Constitution as the basis for this work.
- The revised constitution was adopted by Council in October 2023.
- The Constitutional Review Committee continues to keep the constitution under review.

Recommendations from our 2022 report and findings

Recommendation 8 – Adherence to the Nolan Principles of Public Life[3]

The Council should:

- ensure officers and Members understand their fundamental obligations as public servants to adhere to the Nolan Principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty, and leadership).
- ensure staff are aware of how they can raise concerns when they encounter conduct contrary to the Nolan Principles and in respect of the Member Code of Conduct.

Finding – recommendation partially met

- The Council has provided training to Members and some officers around the Nolan Principles.
- The revised Member/officer protocol provides a clear mechanism for staff to raise concerns and references the importance of adherence to the Nolan Principles.
- **The Council has not yet defined how it will assure itself that Members and officers understand and are adhering to the Nolan Principles**.

[3] In 2015, the Committee on Standards in Public Life set out seven Principles of Public Life (also known as the Nolan Principles) which apply to anyone who works as a public officeholder. This includes all those who are elected or appointed to public office.

Exhibit 2: recommendation from our 2023 report and findings

The table below sets out a summary of our findings against the additional recommendation issued in our 2023 follow-up report.

Additional recommendation from our 2023 follow-up report and findings
Demonstrating impact The Council needs to assure itself and demonstrate that the actions it is taking to address the recommendations in our Report in the Public Interest are sustainable and will achieve the intended impacts.
Finding – recommendation partially met • Since our 2023 report, the Council has revised its Corporate Governance Improvement Plan to include information on intended outcomes and measures of effectiveness, which it last reported to Council in May 2024. • The Council has also undertaken a short survey with senior officers to gather some metrics to measure officers' views on Member/officer relations, and to test knowledge and understanding of constitution and decision-making arrangements. • **However, the Council has not yet reported comprehensively on the measures of effectiveness included in its revised Corporate Governance Improvement Plan**. • **It is not clear how the Council is assuring itself across the eight recommendations we made whether the actions it is taking are sustainable will achieve the intended impacts**.

Appendix 1

Audit questions and criteria

Level 1 Question – Has the Council taken effective action to address the recommendations in the Auditor General for Wales' Report in the Public Interest issued in January 2022 and the stage 1 follow up report issued in July 2023?

Level 2 questions	Criteria
• Has the Council taken action to address the recommendations?	• The Council had a clear plan to address the recommendations. • The Council followed its plan in addressing the recommendations. • The Council has taken action to address all the recommendations made in the relevant Audit Wales reports.
• Have Elected Members received sufficient, quality information about the Council's progress in taking action to address the recommendations to enable effective oversight?	• Elected Members and the Governance and Audit Committee (GAC) have been effectively kept updated on the Council's progress in taking action to address the recommendations. • The information that the GAC has received on the Council's progress has been of sufficient quality to enable effective oversight. • Reports to Members and the GAC not only set out the action that is being taken to address the recommendations, but the impact of the actions and their effectiveness.

Level 2 questions	Criteria
• Does the Council have arrangements to assure itself and demonstrate that the action it is taking to address the recommendations are sustainable and will achieve the intended impacts?	• The Council's actions are driving improvement in the areas identified. • The Council's actions are having the intended impact and are sustainable. • The Council has relevant measures of success to assure itself and demonstrate that the actions it is taking are driving the intended improvement.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.