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Our reference 318A2011  
Your reference  
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Pages 1 of 9

Dear Dr Farrar

### **Improvement Assessment: Including Corporate Assessment Update**

As I explained in my letter of consultation on this year's Improvement Assessment, I am fulfilling my responsibilities under section 19 of the Local Government (Wales) Measure 2009 (the Measure) in this letter to the Council. As required under the legislation this letter will also be sent to Welsh Ministers.

During the transition year we prioritised the establishment of a general baseline which included the views of other inspectorates and regulators, and from which we could more accurately and proportionately assess improvement arrangements in future years. Having established that baseline, a comprehensive assessment will not be necessary in most councils in any one year. This year, my letter summarises:

- the Council's compliance with its statutory obligations to make arrangements to secure continuous improvement;
- the Council's progress on areas for improvement and recommendations identified in the 2010 assessment;
- a brief commentary on any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
- updates to the work plan and timetable for delivering my Improvement Assessment work.

### **The Council's arrangements to secure continuous improvement**

The Council is continuing to develop its medium and longer-term thinking and becoming increasingly forward looking in translating ideas into action. In relation to its corporate arrangements, priorities for the coming period include completing the job evaluation and equal pay projects and further integrating business planning with financial planning.

These are appropriate priorities to support the Council's delivery priorities that include providing integrated services that ensure all children have the best possible start in life and helping older people to remain independent.

The Council has reviewed the 11 improvement objectives set out in the original Corporate Plan for 2010-2013. These have been rationalised down to nine objectives for the period 2011-2013. The Council has decided not to publish a revised version of the corporate plan this year; instead it has published only its revised objectives, together with an explanation of how these have changed. This meets the requirements of the Measure and the guidance issued by the Welsh Government. It is clear that extensive public engagement has influenced changes to the Council's improvement objectives. The format and presentation of the plan has been substantially revised to make it easier for the public to understand. The Council is currently in the process of publishing a user friendly summary in Welsh and English, which will be distributed to Council contact points and libraries.

The Council uses a range of performance indicators to monitor progress against its improvement objectives. Targets are set for the next two years but many of the indicators are not related closely enough to the improvement the Council is seeking to make to the lives of local citizens. While there are some outcome-based measures in place there need to be more, and they need to be supplemented by more relevant indicators that paint an accurate picture of progress towards the desired outcome. Such a mix of measures will enable the Council to better judge the effectiveness of its actions and make it easier for local people to hold the Council to account. Actions are not always described in sufficient detail to understand what the Council is going to do differently and no key milestones are identified; so it is not clear to citizens, without referring to directorate business plans, which actions are to be completed during each year to 2013.

**I am satisfied that the Council is discharging its duties under the Local Government (Wales) Measure 2009, and that the authority is likely to comply with its requirements during this financial year.** I have reached this conclusion because my audit and assessment work has found that:

- overall, good progress is being made on the areas for improvement identified in my corporate assessment of 2010;
- the Council has made good progress in developing plans to improve human resources arrangements, although it has made less progress on workforce planning;
- improved forward financial planning is facilitating service remodelling; and
- a focus on absence management has reduced sickness rates and resulted in improved productivity and some significant savings for the Council.

## **Progress on the areas for improvement identified in the 2010 assessment**

My Preliminary Corporate Assessment, published in July 2010, concluded that: 'The Council has strengthened its corporate arrangements and delivered a number of improvements but there are still areas that need further development if future improvement is to be secured.' The report identified a number of areas for improvement and also noted some areas where we would undertake further work. Progress on these matters is summarised below and described in more detail in Appendix 1.

- The Council has improved its medium-term financial planning arrangements, although further work is required to fully integrate its business planning.
- The Council has made progress in developing a set of measures for partnership working.
- The Council is applying tighter management control to improve the take-up and recording of staff appraisals; but it is too early to assess the extent or quality of these appraisals.
- The Council's approach to workforce planning has developed further since last year and it now needs to finalise its workforce plan.
- The Council has eliminated inconsistencies between property information and finance data.
- The Council has reviewed its Internal Audit and Scrutiny Committee work programmes and arrangements have been put in place to ensure that consideration is given to the Corporate Risk Assessment.

## **Emerging issues**

Last year a number of common areas for further improvement emerged from my improvement assessment across local government. Findings about the Council's progress in some of these areas are summarised below and more detail is provided separately in interim updates where appropriate.

### **The Council has made good progress in improving human resources arrangements and, whilst still facing a number of workforce challenges, has actions in place that are starting to demonstrate improvements.**

Managers within the Council feel that the central Human Resource (HR) service provides good value for money. The size and cost of the central HR service has reduced significantly over the past three years, but the HR service still meets directorate needs. A comprehensive set of HR policies is in place, and is to be reviewed annually going forward.

A strong focus on absence management is reducing staff sickness absence which has historically been high at the Council. As a result, the average number of days per person per year lost to sickness at the Council reduced to 9.5 days in 2010-11 from 14.8 days in 2007-08. Reducing absence rates has not only allowed the Council to make better use of its staff, it has also had financial benefits. The Council has also switched its mindset

from sickness to wellness. It supports staff well-being through walking clubs, shower facilities for cyclists, leisure passes and counseling services.

Concluding the Job Evaluation project is a priority for the Council because of the uncertainty it creates around the financial impact of the final settlement, and around the ongoing terms and conditions for individual staff members. The pay and grading elements of the Job Evaluation project are expected to be completed in spring 2012. Dealing with equal pay claims is dependent upon the timetable of the Employment Tribunal.

The progress that the Council has made on addressing workforce planning and staff appraisals is covered in Appendix 1 to this letter.

**The Council has improved its medium-term financial planning process during the year and, while there is still an immediate focus on the next one-year budget, better medium-term thinking has allowed the Council to plan for major service remodelling.**

The Council has a good understanding of its overall financial position, having conducted a rigorous financial planning process during the year that included considerable engagement from officers and elected members from all parties.

The corporate priorities of the Council are linked to the 2011-12 budget, although the linkage with the Medium Term Financial Plan (MTFP) could be more explicit. At present the consideration of priorities within the published MTFP takes the form of a narrative section with some figures to illustrate. However, there is no clear link to where these numbers appear in the MTFP and the illustration does not fully deal with the Council's major issues or major plans. As the redirection of resources is at the heart of all the significant and difficult decisions that the Council is likely to take over the medium term, it would be better and clearer to make it explicit in the Plan.

Better medium-term planning has enabled action to be taken on larger projects (for example, the leisure service and adult services re-modelling) with these now moving forward in a positive and monitored way. There is mention of these projects in the MTFP; however, the impact on finances going forward could be made more explicit.

At present performance information is collected, analysed and interpreted on a directorate-by-directorate basis rather than on a whole-council basis and financial management could be improved by monitoring non-financial performance (for example, the current number of looked-after children) more closely.

The Council has identified a number of savings initiatives and income generation activities to achieve its MTFP over the next three years. The Council has a good track record of delivering against its budget in prior years, which gives some assurance over the delivery of its future financial plans.

Further information on the progress that the Council has made on finalising its business planning arrangements is covered in Appendix 1 to this letter.

**The Council has a clear corporate risk management process in place although there is scope to strengthen the approach to managing residual risks.**

The Council has a systematic approach to identifying and prioritising risk. Risks are assessed against a likelihood/impact matrix which produces an overall risk score and ranking. There is scope within the current arrangements for the Council to strengthen its approach to identifying and mitigating residual risks and by identifying individuals responsible for completing actions rather than just identifying service areas and teams.

Risk management is actively supported and promoted by senior officers, cabinet and elected members. However some information provided to members can be confusing and difficult to understand. Plans are in place to introduce performance reports for scrutiny committees to support members in their role of monitoring performance and risk.

**The Council's procurement of a new waste contract contained elements of good practice but the Council should have been more proactive in sharing some information with potential suppliers.**

The Council went through an extensive process for the procurement of the new waste contract, with significant upfront planning. There were elements of good practice, for example: the Council varied the length of the three previous contracts (refuse collection, recycling and management of the household waste amenity sites) to be able to let a single contract that was attractive to potential suppliers; and they engaged in a dialogue with potential suppliers to help them develop a range of solutions. There are indications that the Council should have been more proactive in following up some anomalous historic waste tonnages and sharing the data with the potential suppliers, although we are unable to determine whether this would have produced lower bids. Costs have reduced and indications are that recycling performance has improved. We will follow up on these areas in the Annual Improvement Report.

**Further proposals for improvement**

In addition to the further work required to fully meet the Areas for Improvement identified in my July 2010 report and to supplement proposals contained in the Annual Improvement Report of January 2011, I make the following proposals for improvement.

- Use the budget monitoring process to track performance against individual savings proposals to assess whether the Council has delivered its plans and to make sure that all proposals deliver the maximum return for taxpayers.
- Continue to improve members' understanding of the budget process to enable more constructive challenge to assumptions within the budget.
- Provide more consistent performance information across the Council to help decision making, and improve financial management through closer monitoring of non-financial performance.

- Ensure that relevant success measures are in place for all improvement actions.
- Strengthen current arrangements to include residual risk management and more clearly assign responsibilities for mitigating actions.

**Updates to the work plan and timetable**

My Improvement Assessment team will keep the Council informed of the detailed arrangements for the delivery of the Annual Improvement Report later in the year. The regularly updated work plan and timetable provide more detail on how we intend to focus resources in this year's assessment and in particular how we will add value by focusing on jointly identified areas or services. The work plan and timetable take account of my response to the consultation over my proposals for 2011-12 performance audit work. I will also be asking the Improvement Assessment Team to consider the reliance that can be placed upon the self-assessment processes (including the Annual Governance Statement and the Annual Performance Report). I will comment on this approach in the Annual Improvement Report.

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

Yours sincerely

**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**

Cc: Carl Sargeant, Minister for Local Government and Communities  
Cllr. M Nott – Leader Bridgend County Borough Council.  
Rod Alcott – Improvement Assessment Lead  
Jeremy Evans – Improvement Assessment Co-ordinator

## Appendix 1

Proposals for improvement	Progress
<p>1. The Council should finalise its business planning arrangements over the coming months based around a Medium Term Financial Strategy.</p>	<p>Although the Council has made good progress in developing its business planning arrangements around a MTFP (as discussed earlier in this report), there are some areas where further improvements can be made.</p> <p>Overall, the MTFP still needs to link clearly with the Council's other strategic plans such as the Asset Management, ICT and Workforce plans in order for it to be considered a fully comprehensive 'business plan'. The Council recognises that it needs to review these other documents to ensure that they are up to date and consistent with the MTFP.</p> <p>There are further improvements that could also be made to the MTFP, which could help it to underpin the business planning arrangements more effectively. These improvements include a more explicit assessment of the financial risks to delivering the Council's medium term ambition.</p> <p>We will continue to monitor progress and report on this issue.</p>
<p>2. To eliminate inconsistencies between property information and finance data, the Council should implement a new fixed asset data storage system.</p>	<p>In 2010 we recommended that the Council use a common asset register for recording its significant fixed assets, rather than the two separate systems then in use between the Property and Finance Departments.</p> <p>The Council has established a working group to devise the requirements for a new, bespoke asset register system and the tender requirements have been submitted. This is in the process of being considered by the Council.</p> <p>In order to move towards a common register, the Council has developed a system for recording fixed assets, which is now used by both property and finance as the central fixed asset data storage system. Any new additions and disposals are therefore known and agreed by both departments.</p> <p>We consider that this issue has been fully addressed.</p>

Proposals for improvement	Progress
<p>3. The Council should develop outcome measures for partnership working.</p>	<p>The Council has developed a set of measures for partnership working. These measures, were agreed by the Local Service Board (LSB) Delivery Board in July 2010, and:</p> <ul style="list-style-type: none"> <li>• focus on strategic themes and are linked to national strategic objectives;</li> <li>• provide a baseline;</li> <li>• provide a means to see longer-term improvement; and</li> <li>• provide the means to review strategic priorities and objectives.</li> </ul> <p>Review of these measures is planned for the coming year and will enable appropriate measures to be included in the Outcome Agreement.</p> <p>We will continue to monitor progress and report on this issue.</p>
<p>4. The Council should ensure that the staff performance appraisal process is consistently applied across the Council as a means of embedding performance management into everyday management.</p>	<p>The Council has learned from its successful approach in reducing sickness absence and is now applying the same tighter management control to improving the take-up and recording of staff appraisals.</p> <p>Councillors and Directors have renewed their focus on appraisals, resulting in mandatory training for managers. Information on appraisal take-up and recording will be incorporated into future quarterly business review reports. As a result, the delivery and recording of staff appraisals across the Council is improving, but it is too early to assess the extent or quality of these appraisals.</p> <p>We will continue to monitor progress and report on this issue.</p>

Proposals for improvement	Progress
<p>5. The Council needs to develop its approach to workforce planning.</p>	<p>The Council’s approach to workforce planning has developed further since last year. The Council recognises the need to link its Workforce Plan to its MTFP and asset management plan, and needs to address the integration of these plans as soon as possible in order to ensure consistency in its business planning.</p> <p>The draft workforce plan sets out clearly for managers and members what workforce planning is, and why it is important. It demonstrates the actions the Council is already taking to manage the recruitment and deployment of staff, such as vacancy management, controls on the use of agency staff, flexible working policies and absence management.</p> <p>The Council has now merged its Internal Audit Service with the Vale of Glamorgan Council. The merged service has the potential to increase flexibility, allow better specialisation and increase the skill levels of all the staff.</p> <p>We will continue to monitor progress and report on this issue.</p>
<p>6. The Council should review the Internal Audit programme and Scrutiny Committee forward work programmes to satisfy itself that the most significant risks to the Council are being reviewed.</p>	<p>In the past the role of the Council’s Audit Committee was unclear and often indistinct from those of scrutiny committees. In July 2010, clearer distinction was made through the introduction of new terms of reference which adopted CIPFA guidelines. The Council’s Corporate Risk Assessment underpins the Audit Committee’s forward work programme, and includes regular briefings and reports from the Risk Management and Insurance Officer. This enables full debate on strategic risk including financial implications and allows the Committee to hold managers to account.</p> <p>We consider that this issue has been fully addressed.</p>