



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Corporate Assessment Report 2015

Bridgend County Borough Council

Issued: January 2016

Document reference: 683A2015



This Corporate Assessment has been prepared on behalf of the Auditor General for Wales by Steve Barry, Samantha Clements, Catryn Holzinger, Ron Price, Melanie Williams, Avril Watkins, Ena Lloyd and Dyfrig Williams of the Wales Audit Office and Melanie Watson and Matthew Arthur of KPMG UK LLP under the direction of Jane Holownia.

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

Contents

Summary report	4
Proposals for improvement	5
Introduction	6
Detailed report	7
The Council is developing appropriate plans for the future and, subject to aligning ICT and human resource functions with the transformation programme, is well placed to secure improvement	7
The Council is consulting on key strategic themes designed to improve its focus on priority activity for the future	8
Effective governance arrangements are in place to support improvement and drive change	10
Performance management arrangements are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent	15
Strong financial and asset management arrangements are in place but the Council needs to develop its HR and ICT services so that they are aligned with the transformation agenda	21
The Council collaborates across a wide range of activities and, whilst it is able to identify improved outcomes from some activities, it is not yet able to evaluate the impact of Local Service Board activity	29
Appendices	
Appendix 1 – Status of this report	31
Appendix 2 – Annual Audit Letter	32

Summary report

- 1 In 2013-14, staff of the Wales Audit Office began a four-year cycle of corporate assessments of improvement authorities in Wales. This means that, in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority will receive a corporate assessment once during a four-year period. In the intervening years, we will keep track of developments through progress updates.
- 2 The purpose of the corporate assessment is to provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It will, by its nature, consider an authority's track record of performance and outcomes as well as examining the key arrangements that are necessary to underpin improvements in services and functions.
- 3 Our fieldwork for the corporate assessment focused on the extent to which arrangements are contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question: 'Is the Council capable of delivering its priorities and improved outcomes for citizens?'
- 4 The Auditor General has concluded that: The Council is developing appropriate plans for the future and subject to aligning ICT and human resource functions with the transformation programme, is well placed to secure improvement. He came to this conclusion because the Council:
 - a is consulting on key strategic themes designed to improve its focus on priority activity for the future;
 - b has effective governance arrangements in place to support improvement and drive change;
 - c has performance management arrangements that are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent;
 - d strong financial and asset management arrangements are in place but the Council needs to develop its HR and ICT services so that they are aligned with the transformation agenda; and
 - e collaborates across a wide range of activities and whilst it is able to identify improved outcomes from some activities it is not yet able to evaluate the impact of Local Service Board (LSB) activity.

Proposals for Improvement

Proposals for Improvement	
The Council of the future	
P1	Establish the vision of the Council for 2020 that will support a strategic approach to service delivery and guide service planning.
Performance management	
P2	Explain the reason for an improvement target and the scale of improvement expected. (Annual Improvement Report 22 September 2015).
P3	Review 'measures of success' to ensure they enable an evaluation of intended performance and that the explanation of performance is based upon that measure. (Annual Improvement Report 22 September 2015).
P4	Ensure performance rating reports clearly state whether the Council has achieved what it intended.
ICT	
P5	Develop the ICT service to ensure it supports the Council's transformation agenda.
Human Resources	
P6	Develop the HR service and, specifically, workforce planning so that they support the Council's transformation agenda and ensure workforce considerations are embedded in service business planning.
Asset Management	
P7	Ensure service business plans incorporate consideration of future property requirements.
Collaboration	
P8	Build upon the current development of Local Service Board arrangements by adopting measures to evaluate the success of the key collaborative activities.

Introduction

- 5 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure.
- 6 In 2013-14, staff of the Wales Audit Office began a four-year cycle of corporate assessments of improvement authorities in Wales. This means that, in addition to the annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority will receive a corporate assessment once during a four-year period. In the intervening years, we will keep track of developments through progress updates.
- 7 This report states whether the Auditor General believes that the Council is likely to comply with the requirements of the Measure. This judgement of 'likelihood' will be based on work carried out and previous accumulated knowledge, and therefore reflects performance at a particular point in time. It should not be seen as a four-year clean bill of health or as a definitive prediction of future success. Rather, it should be viewed as providing assurance as to whether the arrangements currently in place are reasonably sound insofar as can be ascertained from our work and the work of relevant regulators.
- 8 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
 - a Make proposals for improvement – we make such proposals in this report and we will follow up what happens.
 - b Make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days. We find no reason to make such recommendations.
 - c Conduct a special inspection and publish a report and make recommendations. We find no reason to conduct such an inspection.
 - d Recommend to Ministers of the Welsh Government that they intervene in some way. We find no reason to make such a recommendation.
- 9 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@audit.wales or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

Detailed report

The Council is developing appropriate plans for the future and, subject to aligning ICT and human resource functions with the transformation programme, is well placed to secure improvement



The Council is consulting on key strategic themes designed to improve its focus on priority activity for the future

- 10 By 2020 the Council anticipates that it is likely to have 70 per cent of its current resources to provide services. This is based upon expecting continued funding reductions requiring savings of around £49 million by 2017-18 and increasing demand with service user needs becoming more complex.
- 11 During April 2015 workshops were held for elected members which developed the principles for establishing what the Council should aim to be by 2020. Having established guiding principles during these workshops three strategic themes were developed and adopted by the Council in June 2015. During August 2015 a staff survey and engagement events were held to obtain staff views about the need for change; to determine how clear staff were about the future 'look' of the Council, and about the proposed strategic themes.
- 12 At the time of this assessment the Council was consulting citizens and other stakeholders on the three strategic themes that would guide decision making and help prioritise activity over the next two to four years:
 - a Supporting a successful economy: taking steps to make the county a good place to do business and ensure that our schools are focused on raising the skills, qualifications and ambitions of all young people in the county.
 - b Helping people to be more self reliant: taking early steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services.
 - c Smarter use of resources: ensuring that all Council resources (financial, physical, human and technological) are used as effectively and efficiently as possible; and supporting the development of resources throughout the community that can help deliver the Council's vision.
- 13 The strategic themes are not intended to replace the Council's focus on: safeguarding its most vulnerable people; to be financially accountable and have regard to value for money; to have regard to equality and diversity and manage risk. The themes are intended to act as the means of highlighting and prioritising those activities that will drive the changes necessary to enable the Council to operate effectively in the future.
- 14 In September 2015 we sought the views of the 53 elected members of the Council and of 53 senior managers by means of a survey. During October 2015 we held meetings with groups of elected members, managers and operational staff as well as conducting interviews with individuals. The alignment of priorities in the Corporate Plan with service activity meant the majority were clear about what the Council was trying to achieve and engagement with members and staff about the financial position meant all were clear about the necessity for the Council's savings strategy.

- 15 Despite engagement in the identification of the three strategic themes, feedback we received suggested less clarity about the 'look' of the future Council and more particularly, precisely what it meant for service planning and delivery. For example, this was illustrated by some respondents offering a perspective that referred to a more negative picture of the Council working towards 30 per cent cuts in services rather than seeking to respond to local needs utilising 70 per cent of the resources currently available.
- 16 The need for a clearer 'picture' of what the Council might look like by 2020 was recognised and it is intended that this will be further developed having regard to the feedback obtained from consultation.

Proposal for Improvement

The Council of the future

- P1 Establish the vision of the Council for 2020 that will support a strategic approach to service delivery and guide service planning.

Effective governance arrangements are in place to support improvement and drive change

Appropriate governance arrangements are in place to drive change

- 17 Building upon the workshops for all members during 2015, Cabinet members continue to be fully engaged in the development of the new vision and have played an active role in consideration of options for change, establishing new policy direction and alternative methods of delivery. Cabinet members and the Corporate Management Board are working closely to develop the options for the future role of the Council, what it will mean for specific services and identifying new opportunities for engagement with local communities.
- 18 The Corporate Management Board (CMB) comprises the Chief Executive, the four Corporate Directors and the Assistant Chief Executive. In January 2015 responsibilities of Corporate Directors were adjusted and the Chief Executive created a Transformation team, drawn from across Directorates, headed up by the Director of Education and Transformation. This team will be:
 - a exploring innovative and flexible ways of delivering services, including approaches to commissioning and working with the Third Sector;
 - b maximising the use of assets and technology;
 - c developing a stronger organisational development function to increase the skills of existing employees and allow greater flexibility; and
 - d improving communication with citizens so that they better understand their needs and are able to access appropriate information and, when required, services.
- 19 The CMB has recognised the need to bring together existing streams of work in order to provide clarity about the purpose of activities and their alignment with the transformation process. It has also been recognised that additional capacity to drive the programme needs to be found. CMB has been balancing the use of existing managers with the necessary skills against the impact on day-to-day activity, and has also specifically recruited people with expertise not available within the current workforce to drive particular activities.
- 20 We have previously reported on the strengths of the Council's medium term financial strategy. A range of projects has evolved from this strategy and during 2015 a range of activity influencing change could be identified from three sources, the Medium Term Financial Strategy, the Annual Governance Statement and the emerging 'transformation' projects. The transformation projects, identified as those that will drive change, are now being assembled under 'Shaping Bridgend's Future'. Other projects remain important in terms of achieving savings targets and improving operational efficiency.

Exhibit 1: Delivery of change

'Shaping Bridgend's Future' provides a structure for delivery of transformation projects aligned to the three strategic themes.

Shaping Bridgend's Future Transformation projects
Supporting a successful economy Successful economy programme – including Rhiw redevelopment and regeneration schemes including Porthcawl, Parc Afon Ewenni and Llynfi sites' reclamation. City Deal – development of proposals with south east Wales councils.
Helping people to be more self reliant Re-modelling Adult Social Care. Re-modelling Children's Services. Third Sector Programme, improving third sector engagement; working in partnership with communities; Community Asset Transfer; engagement with town and community councils.
Smarter use of resources Digital transformation programme – improving access to services. Rationalising the Council's estate – asset disposal; community asset transfer. School modernisation programme.

- 21 The CMB has recognised the need to ensure clarity about the purpose of these activities and ensure staff capacity to deliver them efficiently. Our findings suggest a need to ensure clarity of communications with all members and staff particularly about potential new models of delivery and the impact on current ways of working.
- 22 At Directorate level the Council has adopted different methods of service delivery in recent years and has gained experience in developing delivery standards and putting appropriate arrangements in place to scrutinise performance, for example:
 - a Since October 2015 the transfer of cultural services including libraries by means of a partnership agreement with Awen Cultural Trust Ltd, a charity limited by guarantee formed specifically for the purpose. The partnership agreement is intended to run for 20 years until 2035 and includes outcome measures connected with the three strategic themes together with key performance indicators.

- b Since April 2012 a contract with Greenwich Leisure Ltd with their local delivery partner Halo Leisure Ltd (a registered charity and social enterprise) for the management of leisure centres and swimming pools. The contract has the potential to run until 2027 and includes for investment by Halo/GLL in new facilities. Contract arrangements include performance reporting against five strategic outcomes agreed with the Council. Quarterly performance reports are provided to the Council and considered by the Community, Environment and Leisure Overview and Scrutiny Committee.
- c Since 2010 a contract with Kier Group plc for the provision of household waste collection and recycling services. The contract runs until 2017 with the option of extending to 2024. Performance reports are provided to the Council and considered by the Community, Environment and Leisure Overview and Scrutiny Committee.

Roles and responsibilities are clear and effective arrangements are in place for holding people to account

- 23 The Council operates a Leader and Cabinet system within which the Council sets the overall budget and appoints the Leader of Council. The Leader appoints the Cabinet Members and allocates their portfolios. Individual Cabinet members agree their portfolio priorities with the Leader and progress is reviewed during the year. Cabinet members with 'cross cutting' portfolios meet regularly to co-ordinate planning, identify potential issues participate in joint discussions with Corporate Directors.
- 24 The Cabinet has appointed two Cabinet Committees to support executive decision making and enable engagement and development of a wider understanding of priority issues. The Cabinet Committee Equalities is chaired by the Cabinet member for Children's Social Services and Equalities. The Cabinet invites 10 elected members to join this committee reflecting the political balance of the Council. The Cabinet Committee Corporate Parenting is chaired by the Deputy Leader and includes six other elected members and one lay member. Our observation of meetings of these Committees indicated there was good discussion and that these forums were making a positive contribution to improvement.
- 25 The Council holds the Chief Executive to account by means of a Cross Party Panel that agrees his personal objectives for the year ahead, and performance against those objectives is reported to Council. The arrangement enables members to highlight key issues and agree relative priorities with the Chief Executive.

- 26 The Chief Executive holds Corporate Directors and the Assistant Chief Executive to account by means of the formal appraisal system. In the past it has been relatively straight forward to clarify expectations in the context of the delivery of the improvement priorities within the Corporate Plan and the connection with service directorate activity. CMB officers have recognised collective responsibility for management of the Council and driving the transformation agenda roles in respect of these expectations are being incorporated into their appraisal process.
- 27 On 8 April 2015, the Council approved changes to the scrutiny function with the aim of improving the efficiency of arrangements having regard to the Council's priorities and the reduction in officer capacity. Key changes have included:
- a rebalancing the responsibilities of the committees and assigning responsibility for scrutiny of performance, budget, business planning and delivery of the corporate plan to one scrutiny committee (with provision to co-opt member specialised knowledge from other committees as necessary);
 - b improved programme planning to ensure coordination of activity and improving meetings management by structuring them to allow time for honing questions; discussion with those invited; determine conclusions and review the forward programme;
 - c ending requirements for scrutiny officers to produce covering reports which freed up officer time and enabled members to develop their own lines of enquiry;
 - d formalising the arrangements and meeting frequency of the Budget Review and Evaluation Panel, the School Engagement Review and Evaluation Panel and the Social Services Annual Reporting Framework Review and Evaluation and the LSB Review and Evaluation Scrutiny Panel; and
 - e trialling processes by one Overview and Scrutiny Committee prior to adoption by all.
- 28 Our observation of scrutiny meetings identified a range of positive characteristics:
- a the majority of members clearly understood the topic and asked appropriately challenging questions;
 - b officers attending were familiar with the topic and able to provide relevant responses to questions; and
 - c members were generally satisfied with the quality of information they received.

- 29 The Council has taken steps to ensure that scrutiny is transparent and information is accessible. Forward work plans are published for each committee, minutes and papers are made available and committee pages are up to date. Meetings we observed were well-run, with formal processes in place and overall effective chairing. The tone of discussions was constructive.

A range of opportunities are provided to equip elected members with the skills they need to discharge their roles effectively

- 30 The Council is seeking to support members to undertake their roles through training and Personal Development Reviews. All members have agreed to undertake personal development reviews which are organised on a political group basis. Cabinet and other Senior members undertake peer reviews of up to six 'back bench' members from their political groups with whom their personal development needs are discussed.. Development needs are subsequently met by means of a mix of training, member briefings and mentoring.
- 31 There are activities to increase diversity in democracy – there is a diversity champion, shadowing at election time and the mentoring scheme. However, equality monitoring is not complete.

Performance management arrangements are driving improvement in key service areas but the way in which performance evaluation is presented is inconsistent

- 32 The Welsh Government requires all councils to report on a common set of national strategic indicators (NSIs) to enable a comparison of performance in key service areas across Wales. Thirty national strategic indicators have been set that cover the Welsh Government's strategic priorities. Councils in Wales have also adopted 13 public accountability measures (PAMS) because they reflect issues of local importance such as support for carers, school attendance and the condition of highways.
- 33 Comparison with the previous year could not be made for two indicators. Importantly, the Council made measurable improvements in performance in 2014-15. This is demonstrated by improvements in the majority of NSIs and PAMs of which;
- a 27 of 41 indicators improved;
 - b 13 of 41 indicators declined; and
 - c one of 41 indicators remained the same (where the Council sustained best possible performance).
- 34 The Council's performance against NSIs and PAMs also compared favourably to other Welsh local authorities. In 2014-15, the Council achieved more indicators in the top two quartiles than the bottom two quartiles, including 31.7 per cent in the upper quartile of performance. The Council also performed well against its own targets, achieving 27 of the 39 it set. Of the 12 it did not achieve, performance still improved for eight of those indicators.
- 35 Considering the NSIs and PAMs in the context of the Council's improvement objectives for 2014-15 shows the Council has made progress towards 'Raising aspirations and driving up educational achievement' and 'Working with children and families to tackle problems early'. This is borne out when the more extensive range of indicators published alongside the Council's Annual Report 2014-15 are also considered. Similarly, when looking across the broader set of indicators, actual performance continued to improve for 'Working together to help vulnerable people to stay independent'. There was progress against key success measures under 'Working together to make best use of resources', but some targets related to wider performance measures were missed. Progress towards 'Working together to tackle health issues and encourage healthy lifestyles' and 'Working together to develop the economy' was more mixed.

- 36 The Council has a clear focus on performance management, which has enabled services and directorates to work in a way that puts performance improvement at the heart of their work. The Council revised its corporate performance management framework in 2013 and, in 2014, the Wales Audit Office reviewed those arrangements. It published a document that defines the Council's approach, explains roles and accountabilities and provides guidance to all those involved in the process. Our review concluded that the framework gives a clear and unequivocal structure to the way performance is assessed and managed, linking plans, strategies and service areas. Findings from the Corporate Assessment further support that view, suggesting the framework has continued to promote improvement, through clear lines of accountability and effective challenge.
- 37 The framework includes quarterly Corporate Performance Assessment (CPA) meetings that are attended by Cabinet members, the Corporate Management Board, Heads of Service and are supported by corporate performance and finance staff. Our previous observation of these meetings has led us to conclude that they have proved to be a very effective means of holding directorates to account for performance and facilitating cross-directorate dialogue. The Council is continuing to build on this arrangement and is planning to broaden the information presented at that meeting to include value for money, service-user outcomes, internal processes and organisational capacity. This should further enable consideration of the quality of performance in the context of priorities and available resources and facilitate discussion of what constitutes 'acceptable' performance. This will be particularly important, as it may not be possible for the Council to sustain the pace of improvement against key indicators given current and future savings requirements and service pressures.

Exhibit 2: Positive practice in performance management

The Council's quarterly corporate performance assessment meeting provides a solutions-focused forum for performance improvement

Positive Practice:

Corporate Performance Assessment (CPA) meetings are held quarterly.

Meetings are solutions focused and provide the opportunity to consider options for improving weak performance drawing in the expertise of Cabinet members and senior officers.

The sessions have proved to be a very effective means of holding directorates to account for performance, facilitating cross-directorate dialogue and developing improvement solutions.

The Council is continuing to build on this arrangement by improving the range of information provided, to: test value for money, identify service user outcomes, analyse internal processes and assess organisational capacity prior to change.

This improvement will enable consideration of the quality of performance in the context of priorities and available resources and facilitate discussion about what constitutes the 'acceptable' level of performance for the future.

- 38 While there is regular reporting and good oversight of performance, this could be strengthened if the Council ensured information was presented as accurately and consistently as possible. The Council, like many others, uses a 'RAG rating' system ('red' 'amber' and 'green') to assess levels of success or failure. The RAG rating system is commonly adopted as a means of readily identifying performance issues but having reviewed reports to the Corporate Resources and Improvement Scrutiny Committee on 22 September 2015 and the Annual Report for 2014-15, we have identified scope for improvement of the system. [Exhibit 3](#) shows different methods of applying the RAG ratings within reports.

Exhibit 3: 'RAG' ratings

A number of different definitions are are applied to aspects of performance.

Aspect of performance	Green	Amber	Red
Commitment – activity associated with the delivery of an improvement objective	All key milestones are on track. No reason for concern	Most key milestones are on track, but some are at risk	Most key milestones are missed
Indicator – data used to measure success and it is possible to make a comparison over a three-year period	Better than previous year	Same as previous year	Worse than previous year
Performance indicator – data used to measure success against a target set for a given year	Performance is equal to or better than target	Performance is worse than target by under 10 per cent	Performance is worse than target by 10 per cent or more
Performance Indicators (Trend arrows)	Performance improved vs same quarter of previous year	No change in performance vs same quarter of previous year	Performance declined vs same quarter of previous year

- 39 Previous audit work has identified discrepancies between measures of success and the accompanying explanation of performance, as well as inconsistencies in the application of the RAG rating. We made proposals for improvement in the Annual Improvement Report published in September 2015, which remain relevant and are included with our current proposals for ease of reference. There is still evidence to suggest the presentation of performance information could be clearer. One simple improvement would be to ensure that definitions are included in each report to enable all readers, including members of the public, to see how the RAG ratings have been determined.

- 40 The Council's RAG rating system for performance indicators is based on achieving the target alone. This can result in indicators being awarded the same rating, where more detailed contextual information would highlight important differences. The Council does include commentary and a trend arrow, but information such as national rankings and previous targets could also be useful in providing the reader with a more accurate picture of performance.
- 41 For example, the following two performance indicators were both rated 'amber';
- a 'Percentage of adults aged 60 or over who hold a concessionary bus pass' – performance was lower than the target but had improved on the previous year's performance. The target was higher than the previous year and the all-Wales ranking improved from 7th to 6th.
 - b 'Percentage of statutory visits to Looked After Children due in the year that took place in accordance with regulations' – performance was lower than the target but improved on the previous year's performance. However, the Council was ranked 21st in 2013-14 and 20th in 2014-15.
- 42 Performance in these two areas is very different but there is a risk that readers may rely on the RAG status to highlight issues, particularly when there is a large volume of information to assimilate within the report. Ensuring there is sufficient contextual information should help ensure some of the subtleties of the performance information are not obscured.
- 43 Furthermore, there are some examples of the evaluation of 'commitments' where the RAG rating could be questioned, based on the evidence provided. For example;
- a 'Review the Private Sector Housing Renewal and Disabled Adaptations Policy to ensure it is meeting needs and delivering value for money' – was rated as 'amber' despite the fact the policy was not reviewed, nor value for money assessed, as intended. Given these key milestones were missed a 'red' rating would seem to be more appropriate. While information is included on the Healthy Homes Assistance Grant, this does not relate to the specifics of the commitment.
 - b 'Improve transport, pedestrian and cycle links between the bus and rail network and employment sites' – was rated as 'green', though the description of activity relates to the review of bus services and ongoing discussions with Network Rail. There is no reference to pedestrian or cycle links or, more generally, to improvements in transport. By contrast, evidence against the same commitments in the annual report relates to improving the pedestrian and cycle infrastructure, as well as referencing reductions in bus services (although to schools, not employment sites). Despite the additional evidence, the commitment was awarded a lower rating of 'amber' in that report.

- c 'Continue to work with partners to mitigate the impacts of UK Government Welfare Reforms' - was given a 'green' rating, although the narrative only reflects the 'Get Bridgend Online' project and not any wider activity to mitigate the impacts of welfare reform. (Annual Report 2014-15).
- 44 Where commitments appear to be broader than the evidence of progress provided against them, it suggests that either the commitment was not adequately defined or it has only been partially fulfilled. Ensuring commitments define the parameters of success and the evidence reflects that will help internal and external readers evaluate progress with ease.
- 45 In addition, there are some inconsistencies in the RAG ratings applied to the same commitments in different reports. Specifically, there are three examples of green RAG in CRI report that are amber in the Annual Report 2014-15 and one example of a red in the CRI report which is an amber in the Annual Report. While there may be reasons for the RAG ratings needing to be changed, the information that is presented to members for scrutiny should as far as possible be the same as that which is published for the public.
- 46 Given all of the above, the Council could build on its effective performance management framework and culture by continuing to refine the presentation of performance information. As part of this, consideration should also be given to how information on performance indicators and commitments could be aligned. The Council is currently redeveloping the information presented to CPA, the Council could ensure the dashboard report links activity and results (including value-for-money measures and service-user outcomes). There is potential that this format could also meet the needs of scrutiny, which would ensure the consistency and quality of information being assessed and scrutinised.

Proposal for Improvement

Performance management

- P2 Explain the reason for an improvement target and the scale of improvement expected. (Annual Improvement Report 22 September 2015).
- P3 Review 'measures of success' to ensure they enable an evaluation of intended performance and that the explanation of performance is based upon that measure. (Annual Improvement Report 22 September 2015).
- P4 Ensure performance rating reports clearly state whether the Council has achieved what it intended.

Strong financial and asset management arrangements are in place but the Council needs to develop its HR and ICT services so that they are aligned with the transformation agenda

Whilst the Council faces significant financial challenges, its current arrangements for achieving financial resilience are sound

- 47 The expectation is that councils will continue to face reduction of funding in the foreseeable future. The Council has calculated that annual reductions of 4.5 per cent will mean it needs to make revenue budget reductions of £49.592 million over the period 2016-17 to 2019-20. It has already identified £23.639 million of savings and in July 2015 recognised a further £25.953 million needed to be found.
- 48 The Medium Term Financial Strategy (MTFS) is reviewed and amended regularly and covers all service activity enabling a connection between financial strategy decisions and service delivery. The Council's framework ties the delivery of corporate objectives to financial planning. During 2014-15, the Council implemented a project to connect delivery of each improvement objective to the financial ledger; this facilitates year-on-year monitoring of the financial aspects of each objective.
- 49 The monthly budget monitoring process adopted by the CMB enables effective financial planning and the management of financial risks. Elected members are engaged by means of quarterly reporting and the Corporate Performance Assessment meetings with directors which include an assessment of financial risks. In addition, the Director of Resources has monthly meetings with Heads of Service to assess performance against budget, and to identify budget risks. Risks are escalated to the Corporate Risk Register if required.
- 50 The Council applies a prudent approach to forecasting. Although the MTFS includes a 'worst', 'best' and 'most likely' case scenario for the net budget reduction requirement, most of the detail reported to the Council has a focus on the 'most likely' case scenario. The Council exercises prudence in its assumptions for this scenario, for example, assuming a 4.5 per cent reduction in external funding.
- 51 Savings proposals are documented on a template document, which requires a risk assessment, impact assessment, and the linking of the impact of a savings proposal to an improvement objective, thereby ensuring coherence between the two.
- 52 The Council has a number of policies to support management of its finances, including financial procedures rules which clearly outline responsibilities of Members, Officers and budget holders. Currently, Directors are responsible for budget monitoring within their own Directorate, although in practice this is delegated informally to Heads of Service, Group Managers, and sometimes Service Managers. However, this is set to change by 1 April 2016, with the introduction of delegated financial management responsibilities below Director

level. This will be rolled out in conjunction with financial training, and an upgrade of the Collaborative Planning System. This is a financial software tool which allows Directorates to undertake more financial management activities, improving their access to financial information, as well as generating efficiencies within the central Finance department. Delays in availability of the software prevented the Council rolling out these changes during 2014-15.

- 53 Effective financial control over Reserves is crucial for sustainable financial management. In 2014-15, the Council adopted a new Protocol for its Reserves and Balances. For many years, the Council has had a policy of maintaining the General Fund reserve at £7 million. The new Protocol develops this by providing a clear justification for the creation and maintenance of reserves. In addition, the Protocol outlines important principles, such as how to assess the adequacy of reserves, the rationale for establishing reserves, the monitoring of the reserves, the relevance of risk assessment within all Reserves-related decisions, and includes forecasts for earmarked reserves. This Protocol marks a significant improvement in the Council's financial control procedures. In addition, the Council is able to report on transfers to, from or between reserves during the three years ending in 2014-15. Our review has noted that this reporting was more robust and had greater clarity in 2014-15 than in previous years, which again reflects the improvements made over the past year.
- 54 The budget challenges mean the Council needs to consider both potential cost-cutting opportunities and income generation (including charging) opportunities. For example, with the aim of retaining services at lower cost the Council has already adopted alternative methods of delivery described earlier in this report. However, the Council's register of charges has not been updated since 2013.
- 55 Income and charging procedures are currently the responsibility of individual Directorates. The Council has recognised the need for a more strategic approach and undertaken a survey examining Directorate approaches. One of the aims is to encourage Directorates to consider new strategic directions, such as the provision of professional services to outside organisations, for example, HR services, finance services, or property advice. We have been advised officers are preparing a corporate policy for income generation and charging which is due to be presented to the Council in March 2016. Our review of the draft document confirms it includes relevant income generation and charging principles, and advice on when to charge and on the setting of charges, to ensure they are fair, consistent, and that concessions are offered where appropriate.

The ICT service is supporting delivery of Council operations but is not sufficiently aligned to the transformation agenda

- 56 The Council's most recent ICT Strategy ran from April 2012 until March 2015. The strategy was aligned to support the strategic direction of the Council. At the time of this assessment a new strategy was in the process of being drafted. The absence of a strategy giving a clear vision of the nature of ICT as a service for the future and aligned to the Council's transformation programme means that the focus of the service is on current processes and operations rather than service development.
- 57 During the summer of 2015 the Council had advertised to fill six vacancies in the ICT staff establishment. By the time of this assessment the Council had been able to fill only two of the vacancies, so the Council was operating with fewer people, and without the full range of skills it has identified as necessary. Despite being under resourced, we found that the ICT service staff were supporting colleagues and ensuring continuity of service during office moves, however, this has meant there was little capacity within the department for identifying and progressing opportunities for modernisation and improvement.
- 58 The Council subscribes to SOCITM, which is the network and representative body for professionals delivering public services through the effective use of information digital technology. Amongst its services SOCITM assess the performance of a Council's website and provides a star rating – one star being the lowest and 4 stars being the best in terms of performance for citizens. In 2014 the Council's website was given a one star rating.
- 59 The need for improvement is recognised and the Council's Digital Transformation Programme aims to improve access to services and reduce operating costs by enabling citizens to undertake a range of transactions online. However, at the time of the assessment it was also recognised that the staff resource available to manage current service needs already faced challenges because of vacancies, meaning the pace of developing new arrangements was likely to suffer. Options for implementing improvement were being developed by the CMB at the time of the assessment.
- 60 ICT risks are reported and managed via the Information Governance Board. At the time of the assessment the Council lacked an ICT risk register to specifically monitor and manage ICT risks. This meant there was no clear record of ICT risks and therefore the impact of the ICT risks on the organisation or services, the actions the ICT department is taking to mitigate or resolve the risks, and the link between the ICT risks identified and the Corporate Risk Register could not be effectively monitored nor progress measured and demonstrated. The Council has since put an ICT risk register in place.

Proposal for Improvement

ICT

- P5 Develop the ICT service to ensure it supports the Council's transformation agenda.

The Human Resource service is supporting delivery of Council operations but is not sufficiently aligned to the transformation agenda and the delivery of Council services in the future

- 61 At an operational level we found that the Council had the range of policies and procedures that we would expect to see in place. This included a Workforce Plan, as well as job descriptions supported by a person specification (including skills/knowledge requirements and the means of assessment).
- 62 The Workforce Plan covers the period 2015 to 2018-19 and reflects the Medium Term Financial Strategy by recognising that 50 per cent of planned savings are likely to be achieved by means of a reduction in the Council's workforce. The Plan provides useful analysis of the Council's workforce but it does not make a connection with implementation at directorate/service level so that workforce planning becomes integrated with service planning.
- 63 Whilst the Workforce Plan anticipates a significant reduction in staff numbers over time this has not yet been planned out. The Council has recognised the need for new skills in its workforce and has responded by both utilising existing skills (through re-deployment if necessary) or recruiting in specialist areas such as asset disposal. However, the Council has not yet planned out the numbers of staff and skills required across the Council going forward, linked to service reviews and other planned changes to the organisation. This includes establishing clarity of expectations of the corporate HR function and those HR-related responsibilities of service managers.
- 64 In some service areas the Council has experienced significant challenges in recruiting staff and has been developing ways of attracting and retaining staff in these services.
- 65 Data for recent years shows an overall reduction in the workforce arising from a combination of the outsourcing of certain functions and a voluntary redundancy process. In 2014-15 ,117 redundancies in total were effected, with 38 being voluntary and 79 compulsory.

- 66 At present the Council is not managing vacancies with a view to connect anticipated vacancies with the pool of staff that are affected by changes arising in methods of service delivery or the scaling down of services. Council workforce data also shows that it is significantly under-represented in the age group 16 to 25 and that the number of apprenticeships are small (12 to date). There is a lack of reference to succession planning in current plans or the means by which the Council might recruit to establish its workforce for the future.
- 67 The Council has an appraisal system in place and acknowledges that it needs to move from a situation in which it can determine the numbers of appraisals undertaken to one in which it can be satisfied that the process has resulted in development needs being identified and met. Staff views about the appraisal process were mixed – whilst everyone we spoke to confirmed their involvement in the process, some considered that it generally led to support (particularly if necessary to secure planned improvements), others that the system was inflexible and budget limitations restricted opportunities for skills development.
- 68 Improving the management of sickness absence has been identified as a key corporate priority and a priority for the Chief Executive. The HR service has provided absence management tools to support operational managers to implement the Council's policy. Management of sickness absence features at Cabinet member discussions with Corporate Directors and in directorate management teams.
- 69 At the time of the assessment the Chief Executive was awaiting a report from the Welsh Local Government Association which reviewed the Council's data capture, policies and procedures, to identify potential areas for improvement.
- 70 The Council has a range of data about sickness absence and at Directorate level management teams are seeking to focus on their specific issues. However, whilst the majority of those we spoke to appreciated the need to address sickness absence concerns were also expressed about inconsistent approaches adopted on return to work, as well as inconsistency in dealing with staff reporting absence due to sickness, in particular with regard to the application of the guidelines, allowing a member of staff to request annual leave as an alternative on the first day of a sickness absence.

Proposal for Improvement

Human Resources

- P6 Develop the HR service and, specifically, workforce planning so that they support the Council's transformation agenda and ensure workforce considerations are embedded in service business planning.

The Council has an effective approach to corporate asset management and is on course to achieve its long-term goals

- 71 The Council has in place a strategic plan (the Plan) for its land and buildings which was developed in 2006 and covers the period to 2021. The vision for property is 'to have a lean, sustainable estate that supports delivery of the 'Best Local Services in Wales' and enables the Council to live within its means'. The vision is supported by five objectives:
- a Retain a 'lean' sustainable property portfolio that allows BCBC to live within its means.
 - b Fit-for-purpose property to support delivery of the Best Local Services in Wales – ensuring property solutions are appropriate to service and customer needs.
 - c Delivery of Capital Projects effectively and efficiently.
 - d Maximise return from the non-operational estate.
 - e Continuous improvement through Performance Management.
- 72 Delivery of the Plan is supported by structures to provide for effective corporate property decisions. The Strong Communities Connecting Services (SCCS) group provides strategic challenge and opportunities for representation from LSB partners. The Corporate Property Group (CPG) is an operationally focused forum. For example, maximising space and technology, asset release and minor capital works are agenda items and all directorates are invited to be represented on the group. There is also a non-operational property working group and enhanced portfolio working group which links in with CPG as and when needed.
- 73 Service Business Plans form a key part of the Council's delivery arrangements. Each plan template includes a section on resources covering finance and staffing but does not include reference to property requirements or how each service intends to invest or divest of its portfolio in the future. Given the current pace of activity, the Council will need to ensure service business plans incorporate consideration of future property requirements so that it is able to sustain its effective approach to asset management.
- 74 Schools have a detailed Service Asset Management Plan warranted by virtue of the size of the portfolio which constitutes 60 per cent of the Council's overall property portfolio. The school modernisation team recently transferred from the Children's directorate to a central Property team to bring together property professionals and improve liaison between the management of the school estate and central property professionals. The team reports to the group manager for property and is responsible for overseeing the delivery of the schools improvement programme.

- 75 The Council has made significant progress in rationalising its property portfolio since adopting the Asset Management Plan in 2009:
- a releasing over 60 surplus assets;
 - b reducing the maintenance backlog by circa £8 million;
 - c generating average annual income of £1.8 million;
 - d generating over £2.5 million capital receipts plus £4 million income from asset sales in 2014-15 and a projected £6 million for 2015-16; and
 - e achieving rating savings of £1.1 million.
- 76 The Plan was refreshed in December 2013 with the intention of providing a framework to facilitate delivery of the change programme. The key intended benefits being to further reduce revenue costs, deliver capital receipts and achieve a sustainable estate.
- 77 The Council has developed and implemented a successful Office Accommodation Strategy called Improving Your Space (IYS). The second phase of activity will focus on increased opportunities for flexible working, selling Raven's Court and moving more staff to Civic Offices.
- 78 As part of Phase 2 of the accommodation strategy the Council is adopting a model of one main Council headquarters and three community hubs. The main headquarters at the Civic Offices will provide a visible service hub for the community concentrating front facing services in the customer contact centre and operating a one stop shop for the public. Discussions are being held with South Wales Police about the co-location of the Police at the Bridgend Civic Offices.
- 79 Three community hubs, otherwise referred to as Multi Agency Safeguarding Hubs, linking Health, Social Care, Schools and the Police are to be established. There will be one in the North, East and West of the County Borough supported by facilities located in libraries, schools and health clinics with a view to linking all public sector services to provide a more cohesive approach to the delivery of those public services needed by the community in the community.
- 80 The central location for staff is also seen as a contributor to town centre regeneration, for example, by potentially increasing footfall in addition to the Rhiw redevelopment and new occupancy at Raven's Court.
- 81 Other key action areas linked to the strategic change programme include:
- a The Council is also seeking to be more proactive and strategic in its approach to Community Asset Transfer (CAT). This is to be supported by recruitment of a CAT officer who will act as the key point of contact for communities.

- b Generation of £11 million of capital receipts to help support the schools modernisation programme to provide the Council's match funding requirement for the Welsh Government's 21st Century Schools programme.
 - c Disposals Programme assumes that £8.9 million of new capital receipts will be generated over the next two years, including receipts anticipated from Ogmores Residential Centre and Bridgend Day Centre along with the sale of other surplus sites within the County Borough.
- 82 The Council has adopted plans to improve the pace and extend the number of CATs. The CAT has been undertaken in line with the Asset Management Plan 2021, the CAT Guidance Document and in response to a request from a community group or Town and Community Council.
- 83 There have been a number of successful CATs. Transfer of the asset has offered an opportunity to maintain and preserve valuable community services. Community Asset Transfer Guidance has been updated to ensure due diligence in considering the transfer process and a dedicated CAT Officer post has been established to expedite arrangements.

Proposal for Improvement

Asset Management

- P7 Ensure service business plans incorporate consideration of future property requirements.

The Council collaborates across a wide range of activities and, whilst it is able to identify improved outcomes from some activities, it is not yet able to evaluate the impact of Local Service Board activity

- 84 In earlier sections of this report we have described a range of activities being undertaken by the Council in collaboration with others. For the majority of these a clear purpose can be identified and the Council is able to review the impact being achieved. In summary:
- a Service delivery is being sustained by means of collaborating with existing or newly created organisations to operate cultural services and in the delivery of leisure services.
 - b The Council has been working in partnership with Abertawe Bro Morgannwg University Health Board for a number of years integrating staff teams to improve the planning and development of social work, therapy and community nursing.
 - c Joint Regulatory services (Environmental Health, Trading Standards and Licensing) are being provided in partnership with two other councils as is a Shared Internal Audit service.
- 85 Local Service Boards bring together key personnel from a range of organisations providing services or support to people living within local authority boundaries. The Bridgend LSB has been in place since 2009 and currently comprises representatives of 11 organisations engaged in the provision of services across the county .
- 86 Having undertaken an assessment of the needs of the county, in April 2013 the LSB published 'Bridgend County Together April 2013 – March 2018'. This five-year plan set out priority outcomes intended to address needs and described proposed actions. Governance arrangements were put in place intended to drive delivery of the plan and annual reports have been produced for 2013-14 and 2014-15.
- 87 In December 2014 the LSB revised governance and operational practices following its own review of arrangements. The review found that too many activities were being tracked which were often delivered by one organisation rather than there being a focus on more significant activities that required the collaboration of partners. During 2015 a revised structure is being implemented to focus upon those key activities likely to make a difference; that require collaboration of at least three partners and reflect the availability of resources or initiatives that enable re-direction of resources.
- 88 In order to improve focus and the efficiency of meetings the number of meetings of the LSB was reduced with two meetings scheduled in 2015. The Council also reviewed its scrutiny arrangements and in September 2015 revised the terms of reference of its LSB Overview and Scrutiny Panel to reflect the changes made by the LSB. The review of the arrangements is a positive step in terms of ensuring more efficiency at governance level and introducing a more focussed approach

(on key activities requiring collaboration) but at the time of this assessment work was underway to identify the key activities and as a consequence there were no examples of results arising or of the role of scrutiny in the arrangement.

Proposal for Improvement

Collaboration

- P8 Build upon the current development of Local Service Board arrangements by adopting measures to evaluate the success of the key collaborative activities.

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Annual Audit Letter

Councillor M E J Nott
The Leader
Bridgend County Borough Council
Civic Offices
Angel Street
Bridgend
CF31 4WB

Dear Councillor Nott

Annual Audit Letter – Bridgend County Borough Council 2014-15

This letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

On 29 September 2015, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 25 September 2015.

This report stated that:

- we had no concerns about the qualitative aspects of your accounting practices and financial reporting, although our audit identified a material difference in relation to the movement in the fair value of the Council's property portfolio between the latest valuation on which the initial carrying value was based and the fair value at year-end as assessed by the Council's valuers; this was adjusted and the Council will need to continue to review its approach to the valuation of the Council's property portfolio to be able to ensure and demonstrate that the carrying value of assets is not materially different to fair value at each year-end;
- we did not encounter any significant difficulties during the audit; and
- there were no significant matters discussed and corresponded upon with management which we needed to report.

Officers have agreed actions to address this property portfolio issue in future years.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2015.

My work to date on certification of grant claims and returns has identified no significant issues that would impact on the 2015-16 accounts or key financial systems.

A more detailed report on my grant certification work will follow in 2016 once this year's programme of certification work is complete.

The financial audit fee for 2014-15 is £201,430, which is £5,730 higher than the agreed fee set out in the Annual Audit Outline as a result of additional work performed over the valuation issue outlined above and work performed relating to a question raised by an Assembly Member.

Yours sincerely



Darren Gilbert, KPMG LLP

For and on behalf of the Auditor General for Wales

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru