



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report

Merthyr Tydfil County Borough Council

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Huw Vaughan Thomas, Auditor General for Wales, was supported by Colin Davies, Justine Morgan and colleagues under the direction of Jane Holownia in conducting the Improvement Assessment and producing this report.

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Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the relevant Welsh inspectorates, and his own work, this report presents a picture of improvement over the last year. The report is in three main sections, which cover the planning, delivery and evaluation of improvement by Merthyr Tydfil County Borough Council (the Council).
 - community safety, including a focus on antisocial behaviour;
 - infrastructure, including improving the highway network;
 - good-quality housing, including the development of affordable housing;
 - efficient public services, including improving customer services and the rationalisation of office accommodation; and
 - recycling and waste management, including a move to weekly recycling and fortnightly refuse collections
- 2 The Council, together with its partners, has agreed a shared vision for Merthyr Tydfil: 'to strengthen our position as the regional centre for the Heads of the Valleys, and be a place to be proud of where:
 - people want to live, work and have a healthy, fulfilled life;
 - people want to visit, enjoy and return; and
 - people want to learn and develop skills to fulfil their ambitions.'
- 3 In addition to its statutory duties, the Council has set itself eight *Corporate Priorities for Improvement for 2011-2014* which are:
 - social, economic and physical regeneration, including opportunities to assist residents to gain employment and the regeneration of the county borough;
 - good social care, including the building of two new residential homes and an extra care facility;
 - lifelong learning opportunities, including development of the Merthyr Learning Quarter;
- 4 We found that there are weaknesses in the Council's corporate arrangements which, if not addressed, may prevent delivery of its improvement priorities.
- 5 We also found that the Council is taking steps to improve some key service areas such as education and children's services but needs to further improve its management of waste. We based this conclusion on the following:
 - in some aspects of children's services there is declining performance which the Council is addressing and there are signs of improvement in adult services;
 - the Council and its schools are taking steps to improve performance in relation to education standards, and collaboration with key partners and providers is helping to modernise education services; and
 - whilst waste management is a recognised priority for the Council, it needs to reduce the amount of waste it sends to landfill.

- 6 Finally, the report sets out our views on the Council's own assessment of its performance and arrangements. We concluded that the Annual Performance Report 2010/11 does not yet provide a balanced picture of the Council's performance or adequately explain the impact of poor performance.

Proposals for improvement

- 7 There are no formal recommendations but the following proposals are made to the Council to support improvement:

Proposals for improvement	
P1	Further develop the medium-term financial strategy, asset management strategy and workforce strategy and align them to inform and support achievement of the Council's objectives.*
P2	Ensure that improvement objectives are outcome rather than service-focused and worded consistently between the various publications.*
P3	Include a general statement within the annual forward-facing plan on how the Council seeks to discharge its overall statutory duty to have arrangements in place to secure improvement across the range of its functions.*
P4	Ensure the systems and controls around performance data and measures are sufficiently robust for the Council and its stakeholders to have confidence in their accuracy.*
P5	Develop a strategic approach to public engagement which will support improvements to the operational approach to individual public engagement projects.*
P6	Review the terminology of improvement objectives and activities, and selected measures of success to ensure that they are clearly expressed, will lead to the achievement of the relevant improvement objective, and capable of allowing local citizens to monitor the difference the Council is making to their lives.
P7	The leadership of the Council, political and managerial, should promote and secure a culture which requires an appropriately open and balanced self-assessment of corporate and service performance, and is more evaluative and realistic regarding the Council's progress in delivering its improvement objectives.
P8	In assessing and reporting Council performance, ensure that: <ul style="list-style-type: none"> • there is sufficient appropriate data which demonstrates not only what and how much the Council does, but also the difference the Council is making in terms of outcomes for its citizens; and • ensure that there is sufficient information providing the reasons for any underperformance, its respective impact and the remedial action to be taken.

Proposals for improvement (continued)

P9 Review the timing and content of progress and performance reports to facilitate better informed decision making and robust challenge of service performance that focuses on the right measures and tasks and requires officers to take remedial action where appropriate.

P10 In relation to its self-assessment of performance, the Council should ensure that it acts more in accordance with Welsh Government guidance, and designs and implements appropriate challenge and scrutiny arrangements.

* These proposals were first made to the Council in August 2011.

Detailed report



Introduction

- 8 This report was prepared by the Wales Audit Office on behalf of the Auditor General for Wales. On [page 2](#) you can find a brief explanation of what the Auditor General does. The report sets out the Auditor General's view of the performance of the Council in discharging its statutory duty to make arrangements to secure continuous improvement. This view has been informed by the work of the Wales Audit Office, Estyn, the Care and Social Services Inspectorate Wales (CSSIW) and the Welsh Language Board.
- 9 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 and delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education) and the CSSIW, we have brought together a picture of what each council or authority in Wales is trying to achieve and how it is going about it. This report also sets out the progress the Council has made since the Auditor General published his last *Annual Improvement Report*, drawing on the Council's own self-assessment.
- 10 Throughout the report, we set out what the Council needs to do to improve its services. 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:
- recommend to Ministers of the Welsh Government that they intervene in some way;
 - conduct a special inspection and publish the report with detailed recommendations;
 - make formal recommendations for improvement – if a formal recommendation is made the Council must respond to that recommendation publicly within 30 days; and
 - make proposals for improvement – if we make proposals to the Council, we would expect it to do something about them and we will follow up what happens.
- 11 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@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

There are weaknesses in the Council's corporate arrangements which, if not addressed, may prevent delivery of its improvement priorities

- 12 This section comments on the Council's planning and arrangements for delivering improvement, and covers:
- previous findings by the Auditor General on the arrangements for improvement;
 - people management arrangements;
 - the use of resources and arrangements to address the financial challenges faced by all councils;
 - how the Council engages with the public and local communities;
 - how the Council is working in partnership and collaboration with others;
 - scrutiny arrangements;
 - performance management arrangements; and
 - the Council's arrangements to support the Welsh language.
- 13 We do not undertake a comprehensive annual review of all council arrangements or services. Our work has focused on the main objectives that the Council has set itself and builds upon earlier audit feedback and reports issued to the Council. The conclusions in this report are based on our cumulative and shared knowledge and the findings of the work undertaken this year.
- 14 The Council along with the police, health, fire, voluntary and community sectors collectively agreed, in 2011, a shared vision for Merthyr Tydfil to 'strengthen our position as the regional centre for the Heads of the Valleys, and be a place to be proud of where:
- people want to live, work and have a healthy, fulfilled life;
 - people want to visit, enjoy and return; and
 - people want to learn and develop skills to fulfill their ambitions.'
- This shared vision is set out in a document called a community plan '*It's Looking Good – Merthyr Tydfil 2020 – Turning Aspirations into Reality*'.
- 15 To help make this happen, the Council's key policy document *The Corporate Plan 2011/14* identifies the eight *Corporate Priorities for Improvement* that the Council has set itself to support delivery of the community plan and the shared vision for Merthyr Tydfil, which are:
- social, economic and physical regeneration, including opportunities to assist residents to gain employment and the regeneration of the county borough;
 - good social care, including the building of two new residential homes and an extra care facility;
 - lifelong learning opportunities, including development of the Merthyr Learning Quarter;
 - community safety, including a focus on antisocial behaviour;
 - infrastructure, including improving the highway network;
 - good-quality housing, including the development of affordable housing;
 - efficient public services, including improving customer services and the rationalisation of office accommodation; and
 - recycling and waste management, including a move to weekly recycling and fortnightly refuse collections.

The Council is developing its improvement arrangements but the tasks and success measures it has identified are unlikely to support achievement of the Corporate Priorities for Improvement

- 16 The Council's improvement objectives (referred to as *Corporate Priorities for Improvement*) and its improvement plan (called *Corporate Plan 2011/14*) meet the requirements of the Measure and the guidance issued by the Welsh Government. However, in order to follow the statutory guidance more fully, the plan should include a general statement describing the arrangements the Council has in place to discharge its statutory duty to secure improvement across the range of its functions.
- 17 The improvement plan and public summary have been published in both English and Welsh within the timeframe set by the Welsh Government. Both are available in electronic format on the Council's website and were publicised through the local press. Hard copies of the bilingual public summary are available in the reception areas of council offices, leisure centres, community centres, libraries and Cyfarthfa Castle.
- 18 The basis for selecting eight *Corporate Priorities for Improvement* for 2011-2014 is explained, together with how the improvement plan fits in with other strategies and plans including the community plan. In deciding what to focus on, the Council built on its understanding of local needs developed through extensive consultation with local citizens, businesses and partners. Consultation included two separate events in Merthyr Tydfil town centre where the Leader of the Council and other Cabinet members sought residents' views on the Council's budget and priorities for 2011-12.
- 19 The improvement plan sets out what the Council wants to achieve and what it will do next. It contains action plans for each improvement priority which set out tasks to be undertaken and explain how progress will be monitored by identified success measures with associated performance targets and milestones. Whilst in principle this approach is a logical one there are a number of issues which, if not addressed, undermine the robustness of the current performance assessment and reporting process. In particular, based on our review of the specific tasks and measures contained within the Council's improvement plan, it is not clear that the cumulative achievement of those identified key tasks will result in achieving the Council's improvement objectives.
- 20 The Council needs to better articulate its improvement objectives (known as *Corporate Priorities for Improvement*). Greater clarity and consistency in the terminology used to describe the outcomes that the Council wants to achieve would help ensure that key messages are clearly conveyed and understood. In particular, it is not always clear what the Council is proposing to do differently to secure improvement, or the difference it will make to local citizens.

21 The Council should also review the relationship between the tasks, measures and outcomes set out in its *Corporate Plan 2011/14* in order to ensure the measures are appropriate and that the tasks will result in positive outcomes which are clearly aligned to the achievement of the Council's improvement objectives.

22 The Council has recognised that its measures and reporting of performance need to be improved and are working with heads of service and corporate directors to ensure that these are improved for next year. A questionnaire has recently been circulated to all heads of service and managers to collate views on the Council's current performance management processes and suggestions as to how these can be improved.

There are significant challenges facing the Council, particularly in relation to financial and workforce planning and appropriate challenge of service performance

23 In August 2011, the Auditor General issued a *Corporate Assessment Update* letter to the Council. The letter commented on developments since the previous reports and the Auditor General confirmed that he was satisfied that the Council was discharging its duties under the Measure and was likely to comply with its requirements during this financial year. This assessment is based on our findings that:

- The Council accepted all of the areas for improvement we identified in our 2010 assessment and is making reasonable progress in addressing them (see [Appendix 5](#)).

- The Council is addressing improvements required in the management of Human Resources (HR) but strategic arrangements such as workforce planning remain underdeveloped.
- The *Medium Term Financial Plan* is a step forward for the Council but it is not well-developed or embedded into the medium-term planning or service improvement processes.
- The Council can demonstrate a strong commitment to public engagement; however, it does not yet have a clear strategic direction or framework in place to maintain a sustainable approach to effective public engagement.
- The Council is embracing the partnership and collaboration agenda that is being promoted by the Welsh Government, and is establishing good foundations to move services forward and achieve efficiency savings.
- Scrutiny arrangements are not yet effective enough to facilitate robust challenge of service performance although the Council is working to develop member skills and improve information so that the right issues are effectively scrutinised at the right time.
- The Council is embedding a new performance management framework but performance data is not sufficiently robust to have confidence in its use to measure and monitor the Council's achievement of its improvement priorities.
- The Council's arrangements for developing, using and supporting technology are likely to support continuous improvement.

- The Welsh Language Board has highlighted failings in respect of the Council's ability to meet the requirements of the *Welsh Language Act* and the Council has yet to develop a plan that satisfies its concerns.

The Council is addressing improvements required in the management of Human Resources but strategic arrangements such as workforce planning remain underdeveloped

- 24 Job evaluation and managing the Human Resource (HR) aspects of the Council's efficiency programme have placed significant pressure on central HR resources during the last year. Progress in strategic areas, such as developing a workforce strategy, succession planning arrangements and personal development planning have been affected as a result and progress has been limited.
- 25 In December 2010, at the Council's request, Local Government Improvement and Development (formerly the IDeA) undertook a peer review of people management within the Council. The review identified a number of areas for improvement, including workforce planning. The Council has made some progress in a number of the suggested areas for improvement but there is not a specific action plan in place to address the recommendations.
- 26 As part of its response to the findings reported, the Council has restructured its HR service to better facilitate its strategy of moving to a self-service HR function with technical and professional HR support provided from the centre. These changes are recent and managers are required to take increased ownership of HR aspects of their management responsibilities.

- 27 The Council recognises the need for improvements in its underlying HR data and is in the process of upgrading its HR data management system.

The Medium Term Financial Plan is a step forward for the Council but it is not well-developed or embedded into the medium-term planning or service improvement processes

- 28 The Council has a robust understanding of its financial position over the medium term, identifying a funding gap of £995,000 in 2011-12, £3,671,000 in 2012-13 and £4,248,000 in 2013-14. This analysis of the financial position of the Council over the three-year period is based on current service models.
- 29 The general awareness by staff and members of the medium-term financial situation has been raised through presentations by the leadership team of the Council and the involvement of council members in efficiency workshops and by approval of the *Medium Term Financial Plan*.
- 30 The Council has a track record of delivering against its annual budget and for 2010-11 the majority of services reported underspends against budget and the savings required in the 2011-12 budget are being delivered ahead of schedule. However, to date, the *Medium Term Financial Plan* has not been used as a means to manage the funding gap it identifies.
- 31 Accordingly, whilst the Council has identified the need for change against the background of the economic downturn and a number of projects aimed at reducing costs in the Council have been initiated, there needs to be closer alignment between the priorities of the Council, the financial planning process and

the efficiency programme. In addition, more detailed scenario planning needs to be undertaken in order to assess and prioritise the financial risks in the context of a range of potential circumstances.

- 32 The Council is in the process of reviewing the capacity within its Finance department to develop the *Medium Term Financial Plan* further, and manage the significant financial challenges it faces in the current economic environment.

The Council can demonstrate a strong commitment to public engagement; however, it does not yet have a clear strategic direction or framework in place to maintain a sustainable approach to effective public engagement

- 33 The Council is strongly committed to using public engagement as a means to enable and encourage dialogue and open debate with the public. For example, in setting budget priorities for 2011, Cabinet members including the Leader conducted on-street discussions with members of the public. Both officers and members see it as an essential process to gauge public opinion during times of change to service provision and to help identify the Council's key priorities.
- 34 The Council values the principles and benefits of transparency, open debate and consensus and invests significant amounts of officer and member time to inform and consult with its public. For example, the Council rotated the location of Cabinet meetings throughout the county area in order to make them more accessible to the public.

- 35 Despite a genuine commitment by the Council to inform and consult its public, the delivery of this ambition is currently hampered by a lack of clarity and strategy. The Council is keen to encourage the mainstreaming of public engagement principles and activity, so that services can ensure that there is appropriate scrutiny and debate about plans for service change. However, the lack of strategy directly impacts on the Council's ability to effectively mainstream public engagement activity. There is no impetus to set up corporate standards to assess and evaluate the quality and effectiveness of public engagement activity or basic procedural guidelines in place to outline the preferred process or method of engagement. There is no overall medium to long-term planning or programming on what engagement activity will be undertaken over the forthcoming year. Each example of public engagement given appears as a response to the immediate requirements of a project or proposal in its need to seek the views of citizens.

The Council is embracing the partnership and collaboration agenda that is being promoted by the Welsh Government, and is establishing good foundations to move services forward and achieve efficiency savings

- 36 Since we reported in August 2011, the Council has made positive progress in recognising the importance of collaboration in delivering its services and is positioning itself well in relation to this agenda. For example, the Director of Community Services attends the Executive Management Team meetings at Cwm Taf Health Board and the Council is currently working with health staff at Prince Charles Hospital to improve the Council's

service in relation to reablement and rehabilitation of citizens leaving hospital.

- 37 At a strategic level, the Council has recently reviewed all its partnerships, and has established one 'Partnership Board'. This Board incorporates the former Health, Social Care and Wellbeing Board, the Children and Young People's Partnership and the Community Safety Partnership. The new Board is co-chaired by the Director of Community Services at the Council and the Director of Public Health at Cwm Taf, and its membership comprises health, police, voluntary sector and other partners.
- 38 The joint Local Service Board established with Cwm Taf Health Board, South Wales Police and Rhondda Cynon Taf County Borough Council and the voluntary sector some years ago, is now evolving to support the new Regional Collaboration Framework and is to be chaired by the Chief Constable of South Wales Police, Peter Vaughan. This demonstrates that the Council is supporting Welsh Government's national agenda on shared services and to achieve efficiency savings.

Scrutiny arrangements are not yet effective enough to facilitate robust challenge of service performance although the Council is working to develop member skills and improve information so that the right issues are effectively scrutinised at the right time

- 39 The Council has recently introduced a quarterly performance scrutiny arrangement as part of its challenge and performance monitoring process. This in principle is a positive step and one that is recommended as good practice. However, based upon our observation of the conduct of these meetings,

there is still much to do if this process is to provide effective challenge and help improve performance.

- 40 The method in which performance data is presented at meetings can make it difficult for councillors to focus on areas that they want to ask questions on or challenge. Given that the focus of the meetings is on review by exception, that is the 'red' areas under a traffic light system, there is an assumption that all 'green' areas have been accurately reported, and do not warrant a review. Also, meetings focus predominantly on the achievement of key tasks at the expense of proper consideration of key performance measures and their associated targets. It would be beneficial to discuss an overall summary of performance at the commencement of meetings so that the more strategic issues can be identified and considered rather than discussion focusing on the detail too quickly.
- 41 Whilst there are some good questions from councillors in terms of scrutinising the Council's reported performance, the response from officers can be accepted too readily without generating any further action or further questions. For example, when advised that national waste targets would not be met even with changes to the current recycling contract and the introduction of two-weekly collections, members made no further challenge to this position.
- 42 More generally, scrutiny committees are developing work programmes that are clearly aligned with the *Corporate Priorities for Improvement*. For example we found evidence that, to address some of the recommendations of the 2010 Estyn inspection, scrutiny requested presentations

from schools where attendance was poor and the Chair of scrutiny held the Head and Chair of Governors to account for poor school attendance. This approach demonstrates that the Council is taking its corporate responsibility seriously and targeted schools are beginning to see the benefits of this approach through improved attendance.

- 43 The Council has acknowledged for some time that the role and function of scrutiny needs to It is working with the Wales Audit Office, together with the Welsh Local Government Association (WLGA), to help develop the current scrutiny arrangements. A series of support and challenge workshops and training programmes are underway designed to complement the valuable work of the Council's Scrutiny support team.
- 44 Our work is intended to help the Council make best use of the time spent on scrutiny, and achieve specific improvements that it has identified are needed which include:
- focusing scrutiny work programmes on outcomes and their impact for citizens of Merthyr Tydfil;
 - ensuring that information presented to scrutiny is relevant, proportionate and timely; and
 - maximising the benefits from member training opportunities and applying the learning to improve the effectiveness of scrutiny.

The Council is embedding a new performance management framework but performance data is not sufficiently robust to have confidence in its use to measure and monitor the Council's achievement of its improvement priorities

- 45 The Council has invested a lot of time and effort in the implementation of a revised performance management framework, using the Ffynnon system. The new framework is logical, but captures information on a service basis and does not easily lend itself to cross-cutting or shared actions where a number of services contribute towards the achievement of improvement objectives. It should, however, enable alignment of service planning to *Corporate Priorities for Improvement* and include a range of performance indicators in order to monitor progress in achievement of its objectives.
- 46 As part of our statutory audit of performance information, we identified that there are significant concerns over the robustness of some of the Council's performance data. The Appointed Auditor reported that his audit of the indicators that the Council uses to measure performance relied upon work undertaken by the Council. This work identified weaknesses in the systems in place for both collecting the data and checking its quality. Further work is needed to resolve these issues in order for the Council and its stakeholders to have confidence in the accuracy of the data used to measure and monitor the Council's achievement of its improvement priorities.

- 47 Business planning for 2011-2014 has been rolled out across the Council at the strategic and operational levels, and monitoring of performance commenced in the first quarter of the 2011-12 financial year. In continuing to develop and embed its performance management arrangements, the Council will need to evaluate progress at key stages to ensure that the new framework is fit for purpose, proportionate to need and sustainable in the long term.
- 48 The Council's Performance Management Team has seen a reduction in capacity in relation to skills and experience towards the latter part of the annual performance reporting period. This reduction in expertise has meant that the team has had less time to challenge and work with services. It is recognised that responsibility for data quality and completion of other performance management information must be the responsibility of the service area. However, as the Council is still developing its approach to performance management, reduced resource in the central performance team is likely to impact negatively on the quality of data captured within the Ffynnon information management system.
- 49 The Council's Internal Audit team has recently submitted a paper to the Executive Board which highlights these data issues and identifies a number of recommendations to improve this position. It will be important that the Council adopts and implements these recommendations quickly to ensure that there is confidence in the current performance management system and the data within it.

The Council's arrangements for developing, using and supporting technology are likely to support continuous improvement

- 50 Our review of the way the Council uses technology, which is essential for transforming the delivery of public services, improving outcomes for citizens and delivering efficiency savings, concluded that:
- the Council recognises the importance of technology, has made significant improvements to its technology infrastructure and now has in place the technology foundations and governance arrangements to deliver efficiencies and service transformation, but could further develop and exploit technology to maximise benefits and efficiencies;
 - current arrangements are sound with examples of good practice, but sustainability and maintenance of the ICT infrastructure need to be aligned with the Council's increasing dependency on technology; and
 - performance is sound and improving, formalising programme management arrangements and better use of performance information will support further improvement but progress and ambition need to be linked to available, skilled resource.

The Welsh Language Board has highlighted failings in respect of the Council's ability to meet the requirements of the Welsh Language Act and the Council has yet to develop a plan that satisfies its concerns

- 51 The Welsh Language Board found that the Council succeeded in meeting only some of the commitments in its *Welsh Language Scheme*. The main difficulties arose with the Council's website and its lack of Welsh language provision. The website's failings had been explained to the Council previously and the board is yet to see an acceptable plan for improving the provision. In our review of the Council's *Annual Performance Report 2010/11*, we noted that the full report will only be made available in Welsh on request, although the Council published a bilingual version of the public summary
- 52 There is still work to be done on the availability of information and data on staff with Welsh language skills, and with workforce planning. The Council also needs to focus on mainstreaming the Welsh language into council business and in contracting out services.
- 53 A revised scheme has been delayed, and the Welsh Language Board expects that the revised document will contain proposals to address some of the current deficiencies in Welsh language services.

The Council is taking steps to improve some key service areas such as education and children's services but needs to further improve its management of waste

54 This part of the report sets out how well we think the Council is improving its services. Our conclusions are informed by the work that we have done this year in reviewing the Council's performance and progress towards achieving its improvement objectives. We reflect the views of the CSSIW in relation to the Council's services for adults and children in need, and those of Estyn in relation to education services.

In some aspects of children's services there is declining performance which the Council is addressing and there are signs of improvement in adult services

55 The Auditor General has relied on the views, work and evaluations undertaken by the CSSIW during the year to assess how well the Council is supporting people in need. The CSSIW's evaluations are summarised in its most recent *Annual Review and Evaluation of Performance 2010-11* as set out in a letter to the Council's Director of Social Services in October 2011. The main conclusions from the CSSIW's evaluation are summarised in the following paragraphs.

56 The improvement trend that has characterised performance in recent years in relation to assessing and managing cases in children's services has levelled and some aspects of performance have declined. Although in many respects performance still compares well to the rest of Wales, the Council will want to take steps to prevent any further decline and to ensure that it meets its statutory obligations to all children. Inspection evidence confirms that the Council is taking steps to improve the quality of social work

practice but there is still work to do, including ensuring that quality assurance activity leads to timely improvement.

57 Improved strategic planning has led to significant development in the range of services available to support children, young people and their families. This has enabled the Council to gain pioneer status in partnership with neighbouring authorities, for the Intensive Family Support Team and Families First initiatives. These initiatives are significantly increasing the range of services available for families in need and there are emerging signs that these may be beginning to have a positive impact on the numbers of children becoming looked after by the Council. The vast majority of children and young people that the Council currently looks after are subject to statutory orders: responsibility to these children and young people is a long-term corporate parenting commitment for the Council. There are current limitations to availability and choice of placements for looked-after children. The Council needs to improve this to offer stable long-term placements that enable looked-after children and young people to achieve good outcomes. The engagement of partner agencies is also an important element in supporting these children and young people.

58 Within adult services the Council has focused upon commissioning and broadening the range of services provided to vulnerable people. The Council is working to engage with hard-to-reach groups, has undertaken a range of consultation exercises and has used the support of external organisations in developing its core service base. There are positive signs that the reconfiguration of

services are improving outcomes for people although in some areas, such as carers services and the provision of direct payments, there is much more to be done. Further work is also indicated to embed quality systems and processes, consistency of commissioning and to deliver the Council's action plan for adult services. This includes the commissioning of new purpose-built residential care accommodation and further development of supported accommodation services.

- 59 A corporate review of the Council's planning arrangements has been undertaken and a new Performance and Risk Management Framework has been developed. The new framework is currently in the process of being implemented across the Council, and strategic and operational plans are in the process of being developed as part of the framework. The Council views its social services budgetary process as robust. It reports that despite pressures created by the volatility and unpredictability of demand for services, budgets are closely monitored and steps taken to minimise pressures and identify areas where resources could be released.

The Council and its schools are taking steps to improve performance in relation to education standards, and collaboration with key partners and providers is helping to modernise education services

- 60 This part of the report sets out how well the Council is improving the way in which it helps people to develop. In reaching our conclusion we have considered the views of Estyn, the education and training inspectorate for Wales which are set out in [paragraphs 61-63](#).
- 61 When a range of contextual information is taken into account, performance is below average in key stages 1, 2 and 3. At key stage 3, three-quarters of all secondary schools are in the bottom 25 per cent and no school is above average when compared to similar schools. At key stage 4, performance is well below average on two indicators and above average on others although, generally, too few schools are in the top 25 per cent.
- 62 Following a number of years when performance in key stages 3 and 4 based on entitlement to free school meals met or exceeded the Welsh Government benchmarks, this is no longer the case. Only one benchmark target was exceeded in 2010, the last year for which there is data.

- 63 While attendance has remained unsatisfactory in primary schools, there has been good improvement in attendance in secondary schools. This now meets the Welsh average and is at or above what might be expected. The number of permanent exclusions from schools remains very low. However, the average number of days lost through all fixed-term exclusions in Merthyr Tydfil continues to grow while the Welsh average is reducing.
- 64 The Council has engaged a private sector company that is working with the Welsh Government to support the work of the School Standards unit. The Council commissioned them to carry out a review focusing on improving standards and wellbeing outcomes in Merthyr Tydfil schools. The Council is using this review to identify good practice across the county borough and help identify areas for development.
- 65 The Council has worked collaboratively with Central South Consortium and the Heads of the Valleys Education Programme Board to move education services forward. It is also working in partnership with the University of Glamorgan and Merthyr College to support modernisation of its sixth form provision, called Merthyr Learning Quarter.

Whilst waste management is a recognised priority for the Council, it needs to reduce the amount of waste it sends to landfill

- 66 This part of the report sets out how well the Council is improving the way in which it creates and maintains the area as a safe, prosperous and pleasant place. This year, our work has focused on evaluating how well the Council is performing on collecting and recycling its municipal waste.
- 67 Waste management and recycling present a challenge for all councils because targets from the Welsh Government and the European Union are becoming progressively more demanding, and carry significant financial penalties. The Council recognises this challenge and is seeking to address it through establishing waste management and recycling as a corporate priority, but progress is lagging behind that of other corporate priorities and when compared with other Welsh councils.
- 68 The Council is very good at recycling at household waste amenity sites but indicators show that poor performance continues in many of the key areas of waste management and recycling, where the Council ranks in the bottom quartile of Welsh councils. The Council is also at risk of exceeding the landfill allowance and consequential fines from the Welsh Government.

- 69 Waste benchmarking shows average costs for most elements of service provision but the cost of providing the kerbside collection of recyclables from each household served is relatively high. There are some encouraging signs that the Council has improved the effectiveness of waste collections but needs to undertake a review of household waste amenity sites.
- 70 In joining the Welsh Government's *Collaborative Change Programme*, the Council has an opportunity to learn from others and share good practice to improve its waste services in the future. The Council is working collaboratively with Rhondda Cynon Taf County Borough Council towards the procurement of both the food waste and residual waste treatment capacity required to meet waste targets after 2014, and secure more sustainable waste management for the future.
- 71 Covanta Waste has recently withdrawn from a proposal to build an energy from waste plant near Merthyr Tydfil and the Council is holding ongoing discussions with the Welsh Government around alternative funding and collaborative opportunities. The Council recognises that these procurements are essential and that any protracted delay could mean financial penalties for the Council for failing to meet statutory waste diversion and recycling targets.

The Annual Performance Report does not yet provide a balanced picture of the Council's performance or adequately explain the impact of poor performance

72 The Council's *Annual Performance Report 2010/11* reports progress against the agreed set of tasks and measures under each corporate priority. These tasks and measures are summarised in the initial section of the Council's report and are reproduced in [Exhibit 1](#).

Exhibit 1: Summary of the Council's achievement of the key tasks and measures planned for completion in 2010-11 for each corporate priority

Corporate priority		Key tasks completed		Key measures met	
		Number	Per cent	Number	Per cent
1	Social, Economic and Physical Regeneration	21 out of 22	95%	21 out of 22	95%
2	Customer Focus and Customer Engagement	17 out of 21	81%	3 out of 3	100%
3	Fulfilled Lives and Supportive Communities	29 out of 30	97%	18 out of 22	82%
4	Community Safety	14 out of 15	93%	3 out of 7	43%
5	Good Quality Housing	5 out of 6	83%	3 out of 5	60%
6	Recycling and Waste Management	5 out of 7	71%	6 out of 11	55%
7	Efficient Public Services	0 out of 1	0%	4 out of 5	80%
8	Infrastructure including Highways	1 out of 3	33%	3 out of 3	100%
9	Learning Opportunities are of a High Quality	18 out of 19	95%	7 out of 11	64%
Overall assessment		110 out of 124	89%	68 out of 89	76%

Source: *Merthyr Tydfil County Borough Council Annual Performance Report 2010/11*

- 73 Earlier in this report (see [Paragraphs 19-22](#)) we identify our concerns that the Council has not aligned the tasks and success measures that are intended to support achievement of its *Corporate Priorities for Improvement*. Our review of the Council's *Annual Performance Report 2010/11* further illustrates that the relationship between completed tasks and achieved measures appears to be misaligned. Often there are a significantly greater percentage of tasks being achieved than associated measures. Good examples of this include the corporate priorities of Community Safety, Recycling and Waste Management, and Learning Opportunities ([Exhibit 1](#)). Whilst some of this misalignment may be explained by timing issues around when tasks are due to be completed, it reaffirms our view that the Council should review the relationship between these tasks, measures and outcomes.
- 74 There is also inconsistency in the way that the Council reports progress in completing key tasks/projects, particularly in relation to longer-term projects which move through various implementation and development stages, and where projects have been delayed. For example, some projects that have been postponed are marked as completed whilst others which have been marked as complete have only completed a feasibility stage. For a significant number of tasks the due date for completion is at some point beyond 2010-11, therefore 'not yet due' has been annotated; the report does not identify whether these tasks are on schedule or otherwise.
- 75 The Council does not use comparative data within the body of its *Annual Performance Report 2010/11*, rather national/core strategic indicators are included in a standalone section. It is difficult, therefore, to determine relative performance in comparison with others. This has resulted in missed opportunities to put performance into context from both a positive and negative perspective. For example, the Council accurately reports that it failed to meet its target for the number of pupils permanently excluded from its secondary schools. However, in comparison with other Welsh councils, this is an area where the Council's performance is above average. Conversely, in the area of waste management, the Council accurately reports that it failed to meet its targets but does not provide the context that its performance is amongst the poorest in Wales.
- 76 Where reported performance has been poor, either in terms of failing to complete tasks or achieve targets, not all services provide an adequate explanation of the rationale and, more importantly, the impact of this poor performance. A good example of this is within waste management, where the narrative around underperformance does not identify the rationale or impact. The Council is aware of the significant issues around the achievement of national waste targets and the potential fines if waste to landfill is not reduced. Whilst the *Annual Performance Report 2010/11* does highlight missed targets it does not adequately articulate the significance of these issues, nor that the Council has one of the poorest recycling performances in Wales. Neither is any planned remedial action to improve performance described.

- 77 The Council needs to ensure that the performance targets it sets are sufficiently robust and, when reporting relative progress in the *Annual Performance Report 2010/11*, this is set against a context of year on year and comparative performance. Whilst the Council's Performance Management Team has provided guidance on target setting, target setting is variable across services. This variability includes targets which are not stretching enough, targets which appear to be too stretching and targets which appear to be based on inaccurate data.
- 78 The Measure requires councils to be more self-critical and evaluative around how they deliver their services. Councils now need to focus much more clearly on identified improvement objectives and the impact of improved services upon citizens, ensuring that citizens recognise that improved *outcomes have been achieved*. The *Annual Performance Report 2010/2011* does not identify how areas of underperformance will be addressed going forward. A section on planning for the future would be helpful in taking forward issues that the Council has become aware of through undertaking this self-assessment.
- 79 The Auditor General has determined that the Council has discharged all of its duties in relation to publishing improvement information. In relation to its self-assessment of performance, we will continue to work with the Council to further improve the extent to which it accords with Welsh Government guidance.

Appendices

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 the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges 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 informed by 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. This report also summarises the Auditor General's conclusions on the Council's self-assessment of its performance.

The Auditor General may also in some circumstances carry out special inspections (under section 21), in respect of which he will provide a report to the relevant authorities and Ministers, and which he may publish (under section 22). The Auditor General will summarise audit and assessment reports in this published Annual Improvement Report (under section 24). This will also summarise any reports of special inspections.

An important ancillary activity for the Wales Audit Office 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

Useful information about Merthyr Tydfil and Merthyr Tydfil County Borough Council

The Council

Merthyr Tydfil County Borough Council spends approximately £107 million per year (2010-11). This equates to about £1,921 per resident. In the same year, the Council also spent £15.662 million on capital items.

The average band D council tax in 2010-11 for Merthyr Tydfil was £1,144.08 per year. This has increased by 3.2 per cent to £1,180.69 per year for 2011-12. Ninety-three per cent of the dwellings within the county borough are in council tax bands A to D.

The Council is made up of 33 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 15 Independent
- 10 Labour
- 3 Merthyr Independents
- 4 Welsh Liberal Democrats
- 1 United Kingdom Independence Party (UKIP)

Merthyr Tydfil's Chief Executive is Gareth Chapman and the Council's two directors are:

- Director of Community Services: Giovanni Isingrini
- Director of Customer Services: Gary Thomas

Other information

The Constituency Assembly Member for Merthyr Tydfil is:

- Huw Lewis, Merthyr Tydfil and Rhymney, Labour Party

South Wales East Regional Assembly Members are:

- Mohammad Asghar, Welsh Conservative Party
- Jocelyn Davies, Plaid Cymru – The Party of Wales
- William Graham, Welsh Conservative Party
- Lindsay Whittle, Plaid Cymru – The Party of Wales

The Member of Parliament for Merthyr Tydfil is:

- Dai Harvard, Merthyr Tydfil and Rhymney, Labour Party

For more information see the Council's own website at www.merthyr.gov.uk or contact the Council at Merthyr Tydfil County Borough Council, Civic Centre, Castle Street, Merthyr Tydfil, CF47 8AN.

Appendix 3

Merthyr Tydfil County Borough Council's accounts and use of resources

The auditor appointed by the Auditor General issued the following auditor's letter on 30 November 2011.

The Leader
Merthyr Tydfil County Borough Council
Civic Centre
Castle Street
Merthyr Tydfil
CF47 8AN

Dear Councillor Edwards

Annual Audit Letter to the Members of Merthyr Tydfil County Borough Council

As you will be aware the Auditor General for Wales will be issuing an Annual Improvement Report to each local authority by the end of January 2012 and some of the issues that were traditionally reported in the Appointed Auditor's Annual Audit Letter will be included in that report. Therefore, I have taken the opportunity to summarise the key messages arising from the work to discharge my statutory responsibilities into this short letter which forms the Annual Audit Letter. The letter is designed to be a standalone document, but will also be presented to the Council and the public as part of the Annual Improvement Report and, therefore, discharges my reporting responsibilities under the Code of Audit Practice.

Merthyr Tydfil County Borough Council complied with reporting requirements relating to its financial performance and use of resources but continues to forecast funding deficits over the medium term which will place severe pressure on the effective delivery of services with ever more limited resources

1 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.

- 2 The Public Audit (Wales) Act 2004 issued by the Auditor General 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.
- 3 On 28 September 2011 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. A number of matters arising from the accounts audit were reported to members in my Audit of Financial Statements report.
- 4 From 2010/11 local authorities in Wales are required to produce their accounts on the basis of International Financial Reporting Standards. The introduction of these new standards imposed significant additional demands on the Council's finance staff. Despite these additional pressures, the accounts were prepared by the statutory deadline.
- 5 The following issues were identified during my audit of the Statement of Accounts:
 - the Council should ensure that it has arrangements in place to fully comply with accounting standards in respect of jointly controlled operations in 2011/12;
 - further work is required by the Council in 2011/12 in order to reconcile fixed asset records held in the Finance and Estates departments; and
 - the structure and level of oversight within the department should be reviewed for future periods to provide a more robust process for the preparation of the Statement of Accounts and to reduce the number of misstatements identified during the audit that could reasonably be expected to have been identified by the Council during the accounts closure process.
- 6 My review 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 Measure (2009). The main findings from this latter work will be set out in the Annual Improvement Report. In addition, I also bring the following issues to your attention:
 - further development of the Council's medium-term financial planning processes is required in order to ensure that the efficiency savings required to meet projected budget shortfalls over the medium term are delivered with the minimum use of reserves; and
 - Internal Audit complied with the CIPFA standards and we continue to place reliance on their work.
- 7 I issued a certificate confirming that the audit of the accounts has been completed on 28 September 2011.

- 8 The financial audit fee for 2010/2011 is currently expected to be higher than that set out in the Annual Audit Outline because the amount of time spent during the audit of the Statement of Accounts in respect of certain areas largely related to the first time adoption of IFRS and the impact of its implementation in circumstances whereby accounting resources at the Council were limited. Whilst we originally agreed that the audit impact of the conversion would not be subject to an incremental charge, the support that was provided by PwC was in reality in excess of expectations determined when the fees were agreed.

Anthony Barrett

Appointed Auditor
30 November 2011

Local electors and others have a right to look at the Council's accounts. When the Council has finalised its accounts for the previous financial year, usually around June or July, it must advertise that they are available for people to look at. You can get copies of the accounts from the Council; you can also inspect all books, deeds, contracts, bills, vouchers and receipts relating to them for 20 working days after they are made available. You can ask the auditor questions about the accounts for the year that they are auditing. For example, you can simply tell the auditor if you think that something is wrong with the accounts or about waste and inefficiency in the way the Council runs its services. For more information see the Wales Audit Office leaflet, *Council accounts: your rights*, on our website at www.wao.gov.uk or by writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

Appendix 4

Merthyr Tydfil County Borough Council's improvement objectives and self-assessment

Merthyr Tydfil County Borough Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council along with the police, health, fire, voluntary and community sectors collectively agreed, in 2011, a shared vision for Merthyr Tydfil to 'strengthen our position as the regional centre for the Heads of the Valleys, and be a place to be proud of where:

- people want to live, work and have a healthy, fulfilled life;
- people want to visit, enjoy and return; and
- people want to learn and develop skills to fulfil their ambitions.'

This shared vision is set out in a document called a community plan and titled *It's Looking Good – Merthyr Tydfil 2020 – Turning Aspirations into Reality*.

To help make this happen, the Council has published its key policy document called *The Corporate Plan 2011/14* which identifies the eight *Corporate Priorities for Improvement* that the Council has set itself to support delivery of the community plan and the shared vision for Merthyr Tydfil. The document can be found on the Council's website at www.merthyr.gov.uk.

The Council's eight *Corporate Priorities for Improvement* to be delivered over the three years from 2011-2014 are:

The Council's corporate priorities for improvement for 2011-2014
Social, economic and physical regeneration, including opportunities to assist residents to gain employment and the regeneration of the county borough.
Good social care, including the building of two new residential homes and an extra care facility.
Lifelong learning opportunities, including development of the Merthyr Learning Quarter.
Community safety, including a focus on antisocial behaviour.
Infrastructure, including improving the highway network.
Good-quality housing, including the development of affordable housing.
Efficient public services, including improving customer services and the rationalisation of office accommodation.
Recycling and waste management, including a move to weekly recycling and fortnightly refuse collections.

Merthyr Tydfil County Borough Council's self-assessment of performance

The Council's self-assessment of performance can be found in its *Annual Performance Report 2010/11* which is available from the Council and from its website at:

www.merthyr.gov.uk

Appendix 5

Progress made by the Council in addressing proposals for improvement identified in the Auditor General's 2010 Improvement Assessment

Proposals for improvement	Progress
<p>1 As a matter of some urgency, develop clear priorities and improvement objectives that contribute to the new Community Strategy and achieving the Council's vision.</p>	<p>Full Council agreed the Council's <i>Corporate Priorities for Improvement 2010-2013</i> on 15 September 2010 and these were published on the Council's website on 29 September 2010. Supporting action plans for each of the nine <i>Corporate Priorities for Improvement</i> were also included in the revised <i>Corporate Plan 2010/2013</i> which was approved by full Council on 13 October 2010. The corporate plan was published on the Council's website on 29 October 2010.</p> <p>The current <i>Corporate Plan 2011/14</i> includes the priorities of the Council which are aligned to the community plan and the Council's vision.</p>
<p>2 Prepare and publish a new Corporate Improvement Plan which:</p> <ul style="list-style-type: none"> • reflects public and stakeholder engagement in priority setting; • sets out the Council's improvement objectives together with outcome measures that demonstrate how and to what extent the Council is making a difference to the lives of Merthyr Tydfil citizens; and • demonstrates community leadership to manage citizens' expectations in the context of reductions in public expenditure. 	<p>The Council's <i>Corporate Plan 2010/2013</i> identified the Council's <i>Corporate Priorities for Improvement</i> and how they support delivery of the community plan and the Council's vision.</p> <p>The Council published its <i>Corporate Plan 2011/14</i> in June 2011.</p>

Proposals for improvement	Progress
<p>3 Develop a strategic framework to support delivery of the Council's priorities and improvement objectives, including strategies for medium-term financial planning, workforce planning and asset management.</p>	<p>The <i>Corporate Plan 2010/2013</i>, updated for 2011-2014, is the key Council policy document which identifies the Council's <i>Corporate Priorities for Improvement</i> and how they support delivery of the community plan and the Council's vision. Each corporate priority for improvement has a supporting action plan which details the specific tasks and measures that will be used to demonstrate progress and improvement.</p> <p>Progress against the action plans for each of the <i>Corporate Priorities for Improvement</i> will be monitored on a quarterly basis by the Executive Board, Cabinet and the appropriate scrutiny committee to ensure that progress is being made to deliver the corporate priorities. Monitoring dashboards have been built in to the Ffynnon performance management system to support this.</p> <p>The Council has a <i>Medium Term Financial Plan</i> and an <i>Asset Management Plan</i> in place. However, there is little evidence of alignment of these plans together to support the delivery of the Council's priorities and improvement objectives. The Council does not have a workforce strategy in place.</p>
<p>4 Streamline and strengthen performance management arrangements, ensuring that service planning is clearly aligned to corporate priorities, undertaken consistently and that strategic monitoring of performance is robust and challenging.</p>	<p>A Performance and Risk Management Framework has been written which identifies the approach that the Council will take to business planning at both the strategic and operational level, monitoring and responsibility, reporting mechanisms as well as general information about performance and risk arrangements within the Council.</p> <p>Meetings have been held with service management boards and individuals to discuss the requirements of these plans and how they will be used to monitor progress against both the community plan and corporate plan going forward.</p>

Proposals for improvement	Progress
<p>5 In implementing its plans to improve scrutiny, the Council should put arrangements in place to ensure that roles and responsibilities are clear and time is given to the matters that are considered most important.</p>	<p>New scrutiny committees are in place and they have received a number of presentations around the role of scrutiny focusing on strategic matters and performance management. The Chief Executive and Corporate Centre Scrutiny Committee were tasked with reviewing the process undertaken to identify the <i>Corporate Priorities for Improvement</i>. A Task and Finish Group was set up as a result. Reports were prepared for each committee to scrutinise the national performance indicators 2009-10 in November 2010.</p> <p>Committees are developing work plans which integrate the <i>Corporate Priorities for Improvement</i> and the community plan. Scrutiny members are attending training sessions provided by the Scrutiny Development Fund/Project (Partnership of 4 Authorities) sponsored by the Welsh Government. The Wales Audit Office has provided proposals for scrutiny members training which will be taken forward in partnership with the WLGA.</p>
<p>6 Ensure action plans supporting delivery of the <i>Corporate Priorities for Improvement</i>, and service business plans incorporate realistic estimates of financial, staff and other resources required to deliver proposed actions, and review their affordability in the context of reduced resource availability.</p>	<p>In order to determine the Council's <i>Corporate Priorities for Improvement 2011-2014</i>, a workshop was held with the Executive Board and Cabinet on 13 April 2011. This included an exercise to identify the risks that might prevent the Council from delivering its priorities, including affordability and capacity.</p>
<p>7 Publish improvement priorities and plans earlier in the year and clarify what beneficial outcomes citizens can expect.</p>	<p>The Council published its <i>Corporate Plan 2011/14</i> in June 2011, three months earlier than in 2010 and within the timeframe set by the Welsh Government.</p>

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