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Good Governance when Determining Significant Service Changes – **Flintshire County Council**

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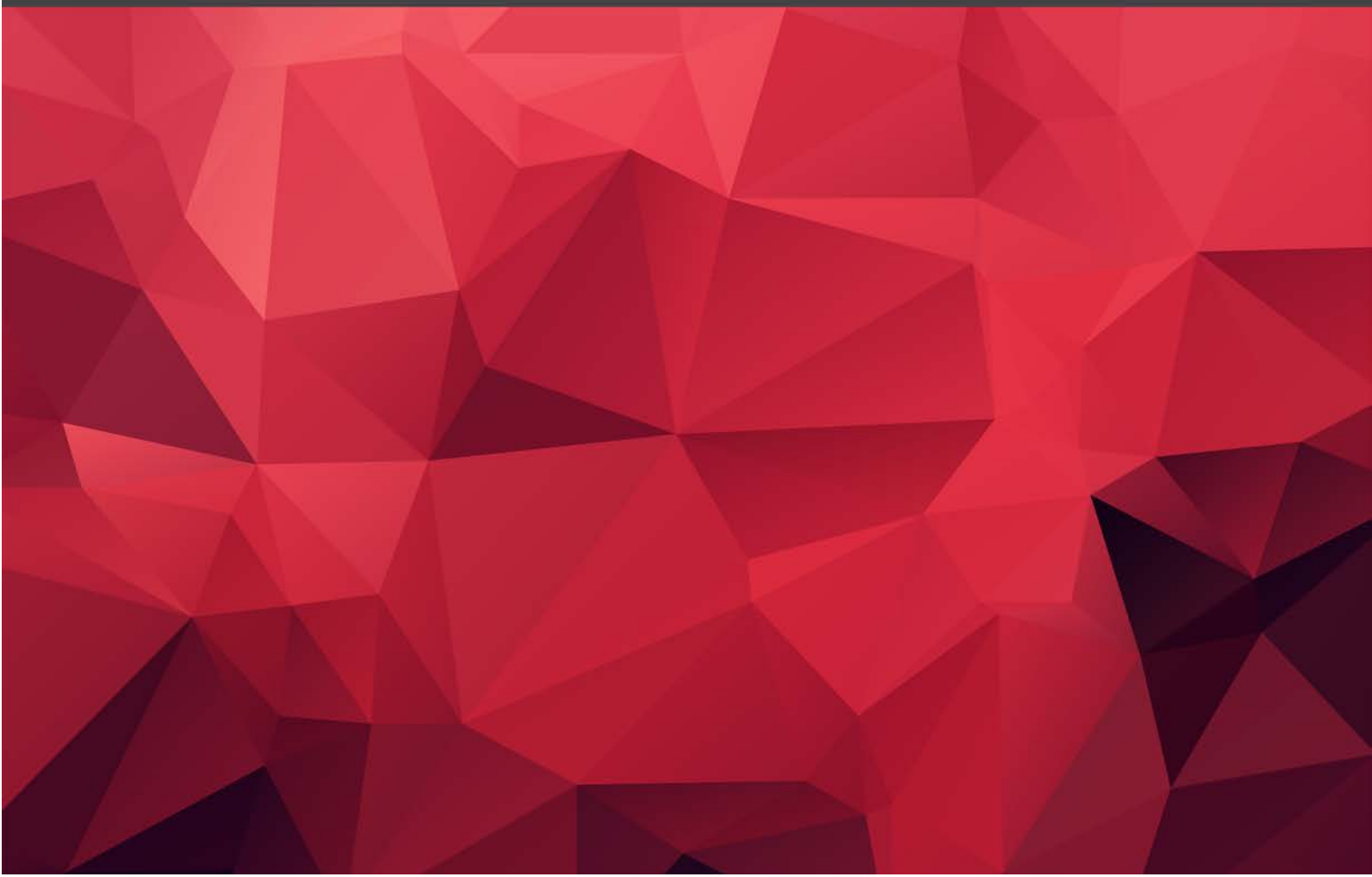

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The team who delivered the work comprised Paul Goodlad and Non Jenkins under the direction of Jane Holownia.

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Summary report

Summary

1 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.[1]

2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.

3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) Act and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'.[2] This legislation emphasises the importance of effective governance in achieving well-being goals.

4 The focus of this review is on the effectiveness of Flintshire County Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, significant changes to the way the service is delivered, the level of service provided, the availability of the service or the cost of the service.

[1] CIPFA/SOLACE: **Delivering Good Governance in Local Government: Framework 2007**

[2] Welsh Government**: Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**

5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for **Delivering good governance in local government** as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:

- household recycling sites
- day care and work services
- libraries
- property, valuation and estates
- facilities management

We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes.

6 In this review, we concluded that **the Council's governance arrangements for determining significant service change are generally effective, with some opportunities to further strengthen its approach.**

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the areas for improvement identified through our review:

Proposal(s) for improvement
The Council's governance arrangements could be strengthened by:
P1 Clearly defining the role of Scrutiny Committees in reviewing the impact of individual service changes, and by encouraging committees to reflect this role in their Forward Work Plans.
P2 Ensuring that Equality Impact Assessments associated with service change are of a consistently high quality.
P3 Ensuring that internal reviews of its governance arrangements – such as the Annual Governance Statement – explicitly consider governance in relation to decisions about service change.

Detailed report

The Council's governance arrangements for determining significant service change are generally effective, with some opportunities to further strengthen its approach

The Council has a clear vision and strategic approach for determining service change

7 The Council has a clear framework for determining service change proposals linked to its eight strategic priorities, particularly its priority to be a 'modern and efficient council'. The Council's Medium Term Financial Plan (MFTP) outlines a three-pronged approach to meeting the financial challenge associated with budget pressures, through service reform, corporate financial stewardship, and working with Welsh Government. Our review focuses on actions taken by the Council to support and promote service change.

8 Stakeholders were actively involved in the development of the Council's vision for service change; the Council's Code of Governance (the Code) requires it to demonstrate inclusivity by communicating and engaging with all sections of the community to encourage active participation. The vision for service change is embedded within the Council's Corporate Plan, which was informed by consultation with stakeholders, during the development of its 2016-17 budget.

9 The Council sets clear objectives for service change proposals that are consistent with its long-term plans and strategies, including an ambition to sustain important services whilst reducing costs to the Council[3]. For example, the Council has adopted principles for Alternative Delivery Models (ADMs) intended to promote a common understanding of what it is trying to achieve. Officers and councillors have a shared understanding of the wider aims and objectives, based on sustaining important services that might otherwise be lost.

10 As well as promoting local priorities, the Council's approach to service change also takes account of national priorities. For example, its vision for service change takes account of cross-cutting issues, supported by its Strategic Equality Plan (SEP). This approach is emphasised within the Council's Constitution, which requires all decisions, including, by default, those associated with significant service change, to conform to a guiding set of the principles, that includes 'clarity of aims and desired outcomes'.

[3] Flintshire County Council, **Annual Governance Statement 2015-16,** FCC, July 2016

11 The Council is also developing its approach to service change to reflect the requirements of the Well-being of Future Generations (Wales) Act 2015 (the WFG Act). Officers and councillors we spoke to demonstrate a growing awareness of sustainable development principles. However, the Council recognises the need to continue embedding sustainability considerations into the service change process.

Governance and accountability arrangements for service change decision-making are clear, comprehensive and well-understood

12 Roles and responsibilities of councillors and officers are comprehensively described and clearly set out in the Council's Constitution and associated documents. The arrangements are reinforced within service-change specific documents, such as those that explain the role of officers and councillors within the Council's transition boards associated with its ADMs. These provide additional clarity about roles during each stage of the change process, from initial project development, through to impact monitoring and evaluation. Councillors and senior officers demonstrate a good understanding of their own roles and responsibilities, and those of their peers, in the decision-making process.

13 The Council has comprehensive arrangements to enable it to verify compliance with constitutional and legal requirements, including those associated with significant service change. For example, appropriately qualified members of the chief officer team and committee support officers pre-screen draft committee papers, including those related to service change proposals, for compliance.

14 The Council proactively develops the capacity and capability of those charged with decision making in relation to service changes. For example, councillor development workshops during 2016-17 provided guidance on ADMs and the MTFP. Other councillor development initiatives have included training on equalities, Welsh language and budget preparation.

15 The Council has also sought to ensure that those charged with key governance roles understand the implications of the Council's Public Sector Equality duty. For example, it commissioned Stonewall Cymru to deliver training, and introduced e-learning modules to improve understanding of the Equality Act 2010 and all committee reports include a mandatory 'Equality Impact' section.

16 The Council acknowledges that the quality of some EIAs needs to improve, so that they are of a consistently high standard. The Council is addressing this inconsistency as it also begins to embrace the wider sustainability requirements of the WFG Act.

17 The Council's approach to service change takes account of the stakeholder feedback it receives. For example, the Council withdrew or significantly amended several of the service changes proposed as part of the budget-setting consultation for 2016-17, in response to stakeholder feedback.

Options appraisals relating to service change are robust, transparent and wide-ranging

18 The Council considers a reasonable range of options at an initial filtering stage when developing options for service change; senior officers filter out options they deem to be unviable or unrealistic options unable to meet the agreed criteria. The criteria used to appraise service change are comprehensive and reflect the type of proposal under consideration. The Council appraises complex proposals against a more comprehensive range of criteria, particularly where a proposal involves options to either retain a service in-house or outsource the delivery.

19 Service change decision-makers receive comprehensive information, proportionate to the scale of change proposed, to inform their decisions. All councillors receive basic training on how to understand and use cost information. Supplementary training is also available to councillors who require, or who wish to develop, a more robust understanding of financial planning, budgeting and analysis. Officers who produce reports aim to anticipate and provide the information required to support robust decision making, assisted by input from the appropriate lead councillor. Councillors told us that the quantity and quality of information provided to support and scrutinise service change decisions is usually sufficient for their needs.

20 Decision-makers generally receive clear and sometimes detailed, financial information from the project lead officers. Complex proposals, such as those associated with the ADMs, involve 'commercial' business plans, which can be challenging to interpret. Where appropriate, senior officers produce a critique of the business case (such as a professional commentary on the financial viability of a proposal) which helps to inform councillors' decision making.

21 The Council's service business plans are reviewed through its common governance structure of programme boards; both officers and councillors contribute to this review process. Senior officers also provide comprehensive peer challenge to their colleagues as proposals evolve from initial idea to formal business case. Councillors and officers told us that the combination of formal and informal review as proposals evolved helped them to anticipate and avoid potential problems at an early stage.

22 Councillors take a robust, proactive approach to decisions about service change. Whilst they clearly value the information and insight provided by officers, councillors occasionally ask for additional information or approve proposals subject to certain conditions. For example, councillors recently approved service changes, subject to the production of implementation plans to demonstrate financial viability and robust risk management, and clarity about the arrangements to deal with any subsequent underperformance.

23 The business cases associated with service change proposals explain the anticipated implications for service users. Some proposals include detailed operational information as well as covering more strategic issues, such as changes likely to affect vulnerable service users. In such cases, the information provided is intended to reassure service users and their families, and Council staff directly involved in delivering the service, as well as supporting well-informed decision making. Recent examples of this approach include proposals to externalise the delivery of some work opportunity schemes by supporting the creation of social enterprise initiatives.

24 The Council's arrangements support robust scrutiny and challenge of service change proposals and the options appraisal process. Occasionally, robust input by a scrutiny committee has prompted the Council to reconsider and amend service change proposals. For example, proposals to rationalise the style and location of household waste recycling centres across the county, based on external advice, were revised following robust input from the relevant scrutiny committee.

25 Decisions about service change proposals we looked at are transparent and recorded appropriately; the Constitution includes clear and comprehensive guidance about the arrangements for recording decisions and for providing access to those records. Council, Cabinet and committee minutes we reviewed clearly set out the rationale for the decisions and recommendations made. Minutes, agendas and background documents are accessible to internal and external stakeholders and available in a range of formats.

26 Although committee agenda papers are well signposted, some strategic documents, such as the Annual Governance Statement, are not always easy to locate on the Council's website. Once located, reports and associated documents in the public domain are generally clear, particularly after recent efforts by the Council to improve the style, readability and consistency of its documentation.

The Council has effective arrangements to engage with, and inform, stakeholders about service change proposals, their potential implications and the processes involved in reaching a decision

27 The Council engages with internal and external stakeholders at an early stage of the service change process, maintains this throughout the process and provides opportunities for key stakeholders to shape proposals as they mature. For example, as part of its initial budget-setting process, exploring potential service changes, the Council consulted widely with scrutiny committees, trade unions, business ratepayers, citizens, employees, the Local Strategic Partnership and other regional partners. These arrangements involved web-based consultation and workshops; this included a workshop involving individuals and organisations representing people with protected characteristics[4]. To promote transparency, the Council publishes summaries of initial EIA associated with individual service change proposals that may have a significant impact on protected groups, on its website. Detailed EIAs are subsequently completed and reported, to support proposals that move forward to the business case stage.

28 The Council has placed importance on early engagement with stakeholders likely to be affected by changes, either real or perceived, to the service they receive. For example, the Council consulted stakeholders when developing proposals to move from in-house delivery of some adult social services initiatives[5], to delivery by social enterprise. During a series of consultation workshops, officers explained the process and the opportunities for staff and service users to influence the new arrangements. The Council also actively consults with its staff and encourages their input into the design of service changes, particularly from staff directly affected by service change proposals.

[4] Councils have a specific equality duty to assess the likely impact of proposed policies and practices on people with protected characteristics, defined by the Equality Act 2010.

[5] The Council arranged a series of consultation meetings with service users and their families, Council staff involved in service delivery and other stakeholders to explore proposals for transferring delivery of a range of Work Opportunity services to a Social Enterprise model.

Corporate arrangements for monitoring the impact of service change are generally clear, but there is scope to clarify the role of scrutiny

29 Overall, the Council has effective monitoring arrangements to assess the impact of decisions about service change. It routinely identifies monitoring and evaluation needs, to assess the impact of its decisions. For example, Cabinet requested a review of a new car parking strategy 12 months after its introduction. The review was subsequently completed and reported, with recommendations to amend some aspects of the strategy based on experience of operating the new arrangements.

30 Sometimes, impact-monitoring arrangements recognise the need for flexibility to respond to emerging circumstances. For example, a recent service change noted that tenant groups '…will continue to work with staff to 'reality check' that our policies and procedures are fit for purpose, this may include getting views from tenants who have received the service'. The Council anticipates that building this type of flexibility into the monitoring arrangements will help it to identify both intended and unintended consequences of service change. The Council also anticipates that fulfilling its specific equalities duty to assess impact will contribute to its understanding of those consequences.

31 The responsibility for monitoring the impact and benefits arising from service changes is normally defined as part of the decision-making process. However, the specific role of scrutiny committees in the change review process is not always explicit. By default, the Council's Code of Governance explains that scrutiny committees should have a significant input into the review and development of service delivery issues and policy development. This responsibility includes the examination of performance out-turn and budget monitoring. However, such arrangements tend to focus on the internal impact, particularly about whether the anticipated efficiency savings were achieved.

32 The Council produces comprehensive transition plans when significant changes to service delivery arrangements occur; this helps to minimise any short-term disruption experienced by service users. For example, Cabinet approved the proposal to establish the Flintshire Crèche Service as a childcare social enterprise, subject to a range of conditions, including the creation of an internal Transitional Board involving senior officers and councillors.

33 Business cases presented to Cabinet identify the arrangements for monitoring and reporting the financial savings arising from service change. The Council's business efficiency plans are one of three elements within the medium-term financial strategy intended to reduce the budget-funding gap. Progress against these efficiency plans is reported regularly.

34 Our 2016-17 review[6] of the Council's savings planning arrangements noted that 'regular budget monitoring reports to Cabinet provide an update on forecast savings achievement and detail variances against target'. Based on our work to date, the arrangements for monitoring the realisation of anticipated budget savings, including those associated with significant service change, appear sound. However, a separate, more comprehensive review of efficiency savings[7] reported by the Council is underway; we expect to report the outcome from that review during spring 2017.

The Council continues to review and refine its governance and decision-making arrangements and responds positively to external audit feedback

35 The Council responds positively to audit findings and proposals for improvement. For example, it promptly addressed the governance-related proposals for improvement included in our 2015 Corporate Assessment report. The Council also regularly reviews its corporate governance arrangements, informed by an annual self-assessment completed by senior officers. This self-assessment contributes to the Annual Governance Statement presented to the Council's Audit Committee and Council.

36 The Council has not explicitly reviewed the effectiveness of its decision-making arrangements, or formally evaluated the lessons learnt, in relation to recent service changes. However, the Council does demonstrate a willingness to learn from its experiences. Both councillors and officers told us about enhancements made to the service change process as a consequence of individual and corporate experiences. For example, the rigour associated with the Council's approach to ADMs now supports less complex change initiatives, where for example, these might benefit from robust transition arrangements. The Council has also improved the range of options it considers when determining and developing service changes and is taking action to embed sustainable development principles into its decision-making arrangements.

[6] Flintshire County Council: Report to Cabinet 8 February 2017 – Financial Resilience Savings Planning

[7] The Council has reported significant efficiency savings over the last ten years; since 2008-09, the Council has reported efficiency savings of almost £60 million. In 2016, the Wales Audit Office agreed, as part of its Audit Plan for the Council, to review the impact and outcomes arising from a sample of recently completed efficiency-related projects.

37 The Council routinely reviews the effectiveness of its approach to risk management, though not explicitly in relation to decisions about service change. The Constitution notes that Risk Management is an integral part of the Council's Governance Framework and Internal Control; it includes a monitoring process to review regularly the effectiveness of risk reduction strategies and the operation of these controls.

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