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Corporate Assessment

Blaenau Gwent County Borough Council

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About the Auditor General for Wales

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Summary report

Summary

In July 2011, Estyn, Her Majesty's Inspectorate of Education and Training in Wales published a highly critical report on the quality of local education services provided for young people by Blaenau Gwent County Borough Council (the Council). The Inspectors reached an overall judgement of 'unsatisfactory' and also judged capacity to improve as 'unsatisfactory.' As a consequence, the Welsh Government removed Executive powers from the Council and appointed Education Commissioners to take over responsibility for education services. Given the potential corporate failings highlighted by Estyn's report, the Wales Audit Office has undertaken a comprehensive review of the Council's corporate arrangements which support planning and delivery of improvements across the range of Council functions and services.

Our overall conclusion is that: **Some progress has been towards making key improvements, but unless inconsistencies and weaknesses in how the Council is run are addressed, it is unlikely that the Council will sustain significant improvement.**

We reached this conclusion because:

- the Council has made some progress in managing improvement;
- some key governance systems are not consistently effective in challenging poor performance and ensuring accountability;
- weaknesses in collective leadership prevent the Council from making the best use of its resources.

Blaenau Gwent as an area faces many challenges. It is relatively small compared with other Welsh councils, has high levels of deprivation and dependency and complex needs. But these factors do not explain or excuse poor performance. Whilst the Council has generally good corporate arrangements in place to support improvement, long standing weaknesses in how the Council is run and a legacy of failings in leadership and service delivery undermine their effectiveness and lead to inconsistencies in how policies and procedures are applied in practice. These failings continue to impede the Council's ability to implement the changes needed to achieve significant and sustainable improvements for its citizens.

Since the critical Estyn inspection report, political leadership of Council services has been unstable. The Leader of the Council stood down in early October 2011. In mid-October a new Leader was elected from within the ruling group and the ruling and opposition groups reached an agreement for the opposition to be offered three positions in the Executive and two chairs of Scrutiny Committees. These arrangements are, as yet, untested.

The Council has taken some key decisions about the future of services but has not yet confronted and addressed some fundamental underlying weaknesses in the way in which the Council is run. The Council will be unable to achieve the scale and pace of improvement made necessary by the increase in the public's demands upon services alongside the reduction in public funding, unless elected members and officers work together to:

- take greater responsibility and provide effective and collective political leadership;
- provide more coherent managerial leadership to ensure greater consistency in key governance arrangements;
- drive changes in culture;
- tackle underperformance; and
- target resources to deliver clearer priorities.

The Auditor General is satisfied that the Council has discharged its statutory duty to publish its plans for improvement. However, due to the scale and pace of improvement required, the Council is unlikely to comply with the duty to make arrangements to secure continuous improvement during this financial year.

Recommendation

The Auditor General has made a recommendation for improvement under section 19 of the Local Government (Wales) Measure 2009 (the Measure), and this is set out below. The Council must formally respond to statutory recommendations within 30 working days.

In response to this report the Council must:

- R1 Develop and agree an action plan which addresses the issues raised in this Corporate Assessment Report, issued November 2011, in consultation with key stakeholders including the Welsh Local Government Association (WLGGA) and the Welsh Government.

Detailed report

Some progress has been made towards making key improvements, but unless inconsistencies and weaknesses in how the Council is run are addressed, it is unlikely that the Council will sustain significant improvement

The Council has made some progress in managing improvement

The Council has taken some difficult decisions which lay the foundations for progress in tackling important issues

1. The Council has demonstrated that it is able to make some difficult and politically sensitive choices about which services it provides and how it provides them and whether it works with others to deliver improvements for citizens. Taking these decisions involved challenging widely-held views and well-established ways of doing things. It also led to some active opposition from a variety of stakeholders, local politicians and citizens in Blaenau Gwent. These decisions all address significant issues affecting the sustainability of services and their potential to achieve improvements for citizens in the future. Some examples of these decisions are provided below.
2. The Council recognised that it could not make the level of investment necessary, £111 million, to improve its housing stock and meet the Welsh Housing Quality Standard. So, following lengthy consultation and engagement with tenants and stakeholders, the Council successfully transferred its housing stock to Tai Calon Community Housing on July 26 2010.
3. To modernise care provision, the Council is implementing its policy of closing care homes for older people and refocusing services on providing support to maintain independence of older people. In November 2006, the Council agreed a 15 year strategy for older people, 'Living Independently in Blaenau Gwent.' The strategy is based on the development of a range of county borough-wide and locality based social care and health services. Implementing the strategy required a decision of the Council to close its four care homes and develop new more modern and specialist provision, primarily through extra-care housing. In 2008 the Council closed its first care home, and its second in September 2010. The first phase of extra care housing is open, building has commenced on the second phase following closure of the final two care homes.

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4. To improve education provision, the Council has progressed its programme of school closures and is consolidating sixth form provision. Plans are well advanced to address surplus places in schools due to falling pupil numbers and to improve the condition of the Council's education assets. In September 2010 the Council decided to reorganise its schools and close two primary and two secondary schools in the Ebbw Vale area. It will replace them with a new £51 million state-of-the-art facility at the Works site in Ebbw Vale, providing a brand new learning environment for pupils from the age of three through to higher education. The new school will open in September 2012.
 5. In addition, the Learning Zone, Coleg Gwent's new sixth form and further education campus, for students from across Blaenau Gwent aged 16 and up, will also open on the Works site in September 2012. This new campus will replace sixth form provision at Brynmawr, Ebbw Vale and Tredegar. Active opposition by parents and teachers at Brynmawr School resulted in a judicial review of the legality of the Council's plans. In March 2011 the High Court ruled in favour of closure and awarded costs to the Council.
 6. Other recent contentious decisions which the Council has made and implemented include moving to fortnightly waste collections and imposing fines for breaches of the Council's waste segregation policies; selectively switching off streetlights; closing and relocating a Council-run theatre to the Works site; and making progress towards fully integrating social care services with Caerphilly County Borough Council.

The Council is developing the way it engages with the public and there are plans in place to improve current arrangements in order to enable citizens to help shape future services in local communities

7. Effective public engagement invites citizens to get involved in deliberation, dialogue and action on issues that they care about. Public engagement is about citizens having a voice in the public decisions that affect their lives. Public engagement also helps leaders and decision-makers understand the perspectives, opinions, and concerns of citizens and stakeholders. When done well, public engagement includes those members of the community whose voices have traditionally been left out of political and policy debates.
8. We found that in its approach to improvement, the Council is committed to effectively engaging with the public and with partners and is developing ways to further improve citizen engagement. The Council's priorities continue to be refined, based on effective engagement with stakeholders and a developing understanding of outcomes although the Council recognises that further work is necessary in some areas.
9. Progress is being made to involve communities more in decision making. The Council's Improvement Objectives reflect community consultation undertaken with LSB partners to develop the Community Strategy and the results of a residents' survey and 'Hear to Listen' (H2L) meetings to engage directly with local people. Further progress is dependent on the Council developing a more co-ordinated approach. Feedback on the impact of consultation and engagement activity needs to be more widely promoted.

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10. Public engagement is also helping to make a positive impact on the design and delivery of services. The public are kept informed through effective communication, engagement and consultation. Useful information is collected from such exercises but it is not consistently analysed and evaluated. Some performance management arrangements are in place to monitor and evaluate the effectiveness of public engagement, but a more robust framework needs to be developed to demonstrate its impact.

The Council demonstrates a continuing commitment to working with partners to deliver improvements

11. Good progress has been made in strategic partnerships and collaborative working, within the community and with external partners, based on a better understanding of, and sharper focus upon, developing shared outcomes.
12. The Council works well through its formal strategic partnerships. The Corporate Improvement Plan (CIP) was considered by the Local Service Board (LSB), which also supported the development of the Community Strategy. Partners are aware of and support the Council's priorities for improvement. The Council is working with the LSB to develop and co-ordinate a single action plan to manage and co-ordinate delivery of interrelated actions and has held a series of partner workshops focussing on three key priorities around young people not in employment, education or training (NEETs), alcohol misuse issues and transport.
13. The Council's continuing commitment to working together with others is encouraging major collaborations to drive new ways of planning and delivering services. The Council has agreed to fully integrate social services with Caerphilly County Borough Council. Integration is seen by both councils as providing them with the capacity and flexibility to deliver improvements in the face of continuing demand and resource pressures. The Gwent Frailty Programme is a partnership with the Aneurin Bevan Health Board and neighbouring local councils to remodel health and social care services to support the independence of vulnerable people and reduce hospital admissions. The Council is also a partner in the South East Wales Education Consortium, which aims to integrate education improvement services across five local authorities to achieve improvements in services and cost savings. There are also other key partnerships with neighbouring councils covering waste management and green solutions.
14. In common with many other Welsh councils, the joint arrangements for ensuring good governance of collaborations, local political accountability and robust evaluation of their costs, benefits and outcomes for citizens are not yet clear and need further development. In response, the Council has just created a new executive portfolio for Business Transformation and Partnerships.

The Council has made some progress on proposals for improvement highlighted in the 2010 Improvement Assessment

15. The Council has responded to most of the recommendations of external auditors and regulators and has established effective liaison arrangements via monthly regulators' meetings, attended by corporate management team and by Executive Members. This forum provides the opportunity for ongoing dialogue about inspection and audit work and the Council's plans for improvement. Progress against each of the proposals for improvement highlighted in our 2010 Improvement Assessment is shown in Appendix 2.
16. In our Preliminary Corporate Assessment in September 2010, we reported that the Council had yet to establish the clear focus necessary to achieve the scale and pace of change needed. The Council's aspirations were not clearly supported by strategies to achieve them or consistently translated into delivering tangible priority improvements. We stressed the need to develop a coherent strategic approach to driving improvement throughout the Council and identified the need for an integrated approach to planning in relation to finances, people and physical assets.
17. Since then, the Council has started to address the priorities for improvement we identified and has made some progress in refining its approaches to corporate planning for improvement although there is more work to do across services. It has agreed a Medium Term Financial Strategy document but needs to do more work to underpin this with more detail. This work must help the Council to address inconsistencies and weaknesses in its approach to improvement, including the need to:
 - strengthen links between various plans and planning processes to ensure approaches to financial, staffing and physical resources are interlinked and consistent with delivering priorities;
 - identify the implications of its actions and reduce unintended consequences;
 - avoid a scatter-gun approach to improvement by refining its priorities, following fewer initiatives and completing what it starts; and
 - make better use of technology to manage and deliver services and underpin new ways of working.
18. Our preliminary Corporate Assessment in September 2010 reported that the Council is taking steps to improve the way it manages people and some key processes are being strengthened. Since then, the Council has continued to manage sickness absence, which it identified as a priority and has reduced it to a level below the Welsh local government average. The Council is in the final stages of concluding its 'single status' agreement with the Trades Unions.

Some key governance systems are not consistently effective in challenging poor performance and ensuring accountability

19. Corporate governance is the framework of accountability, to users, stakeholders and the wider community, within which organisations take decisions and lead and control their functions to achieve their objectives. The effectiveness of corporate governance arrangements has a significant impact on how well an organisation works towards meeting its aims.
20. In our Preliminary Corporate Assessment in September 2010, we reported that systems for managing projects, performance and risk were developing but were not yet consistently effective enough to facilitate robust evaluation of progress. Since then, the Council has taken steps to strengthen its arrangements for planning and delivering improvements and also for managing and scrutinising performance. However, compliance with these processes and procedures across the Council is still patchy and this undermines their effectiveness.

Project and performance management arrangements are in place but are not used consistently to manage, challenge and evaluate performance effectively

21. A key indicator of the effectiveness of corporate governance is how councils manage and evaluate their performance. Good performance management is crucial if authorities are to deliver improvements to services, and performance measurement and target setting are part of that. The Council recognises the need to make improvements to how it gathers and uses information to help ensure that important decisions are based on a clear understanding of what is already provided, how well it is working, how much it costs and what else is needed. Clearly such improvements need the support of robust systems for collecting, recording, monitoring and producing performance information. These systems in turn rely on sound internal quality assurance processes and effective monitoring, evaluation and challenge of performance. Consequently, the role of Scrutiny committees within this framework is critical.
22. Although the Council has a clear framework for managing and reporting performance and has selected a range of performance information to report and judge progress, there are gaps in the coverage of performance information. At present, the Council makes limited use of trend data, benchmarking and comparative performance information when assessing, demonstrating or challenging performance in delivering priorities or against improvement objectives.

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- 23.** Accountability for performance is clear but the quality of performance reporting does not consistently support members, officers and citizens to evaluate the effectiveness of services. Performance information is regularly reported but weaknesses in how it is presented mean that it is not always possible to judge how well the Council is performing. Officers and Members acknowledge that effective Scrutiny is impeded because current reporting arrangements do not routinely bring together and present sufficient information. Members do not always get the information they request and so underperformance is not consistently challenged.
- 24.** The Council has started to make effective use of the pan-Wales computerised performance management system, Ffynnon, to help manage and demonstrate improvements for people. Recently it has developed a 'report card' format within Ffynnon to report performance in relation to Outcome Agreements with the Welsh Government, intended to improve performance in relation to national priorities. This format presents information clearly, setting out how much of an activity the Council has done; how well it has done it; and whether anyone has benefitted as a result. The Council intends to adopt this format more widely.
- 25.** It is important for the Council not only to have information on the right things but also that the information is accurate. Work is ongoing to develop a robust set of measures against which to report performance as well as to strengthen the systems used by services to collate and verify performance information. We audited the Council's systems for managing and reporting its key Performance Indicators (PIs) in 2011. We found that eight of the 38 National Strategic Indicators, which every council is required to report performance against, contained substantial inaccuracies and 11 needed to be corrected due to errors. This performance is around the average for Welsh councils.
- 26.** The Council demonstrates some notable strengths in how delivery of major capital schemes is project managed. But, there is room for improvement in how these schemes are reported and scrutinised.
- 27.** Economic, social and physical regeneration remains an important priority in Blaenau Gwent. The Council has a good track record of securing external capital funding for major schemes and of project managing their delivery. The Works: Ebbw Vale is the regeneration of the former steelworks site. This ambitious project is designed to transform the 200 acre site into a vibrant and distinctive mixed-use area, integrated with the existing town centre and involving a range of innovative construction and design approaches.
- 28.** The Works is seen as fundamental to the regeneration of Blaenau Gwent and represents one of the largest single capital investment projects being delivered in Wales. Over £170 million investment is planned from a range of sources including the Welsh Government, the Council and convergence funding from the European Union. It is also a complex project focussed on delivering social, economic and physical regeneration of Ebbw Vale and the services received by many citizens.

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29. Complicated funding arrangements and multifaceted decisions are involved in a project of this scale. Clear and appropriate lines of accountability, supported by concise and accurate reporting are important for complex major investment projects to ensure good governance and effective decision making. Our recent review of the effectiveness of governance arrangements set up by the Council to oversee and manage delivery of the Works project found that whilst there are governance arrangements in place for the Works project, the reporting of performance is not always comprehensive and all aspects of current project delivery are not subject to effective scrutiny by all Members within the Council.

New systems for managing risks have been developed but are not sufficiently effective to support improvement

30. Risk management is an integral part of good governance to ensure the Council is managing things which might otherwise affect progress towards and achievement of its objectives. Early in 2010 the Council revised its risk management strategy through the introduction of a new framework for managing risk. The strategy has appended to it a suite of templates for recording risks and also includes a risk assessment matrix.
31. The Council decided to use Ffynnon as its risk and performance management database. This system is intended to automate the production of reports for quarterly reporting of performance information to Scrutiny. It is intended that this system will become the single repository for corporate performance and risk data and will provide a means for the corporate centre to monitor quality and compliance and ensure routine reporting to Scrutiny.
32. Whilst the Council has recently adopted Ffynnon as a mechanism for collating its service risks, more needs to be done to hone the raw data into a meaningful and focussed corporate risk register. There are also inconsistencies in approach, which will affect the integrity of the data input into Ffynnon, the quality of information reported, and therefore the Council's ability to identify and manage things which may impede improvement.

Scrutiny's role in the governance arrangements is clear and generally understood, however limitations in the support arrangements for Scrutiny, and an over extensive work programme, are constraining its impact and impeding its effectiveness

33. The Scrutiny function plays an essential role in the governance arrangements of councils. Its purpose is to ensure the necessary checks and balances are in place by holding those with executive power to account whilst at the same time playing a key role in the improvement agenda. The Local Government (Wales) Measure 2009 sets out clear expectations of Scrutiny in planning and evaluating improvement.

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34. Our review of the Council found that its Scrutiny function is developing and improving in the right direction but it has not yet achieved its full potential. Overall members and officers understand the role and purpose of Scrutiny. Generally there is a constructive working relationship between Scrutiny and the Executive and, although political differences occur, there are some successful outcomes from Scrutiny reviews. Scrutiny has helped to deliver some service improvements, and the increased use of pre-decision Scrutiny has resulted in members being more engaged in the decision making process.
35. However, the impact of Scrutiny work is restricted because Scrutiny is not always used in the right way and the volume of work and the quality of some information does not provide the opportunity for in-depth analysis of performance issues. Insufficient research and analytical support and inadequate ICT facilities are impeding the ability of the Scrutiny function to be fully effective, but member training and development is very good. Direct involvement by Scrutiny with service users to test impact and outcomes is limited.

An Appointed Auditor's report identified weaknesses in arrangements that support effective decision making which the Council is taking steps to address

36. In November 2010, following a complaint from the Opposition group, the Appointed Auditor reviewed processes and actions which underpinned the redundancy of the Director of Business Services. Although the Appointed Auditor concluded that the Council's decision to approve the Director's redundancy was reasonable and lawful, he found that the processes and actions that underpinned the decision were significantly flawed in some respects. In particular, the Council handled poorly the business case for the Director's redundancy and could not demonstrate it achieved good value for money. The Appointed Auditor's review highlighted significant governance issues that expose the Council to continuing risk of making decisions that may be unreasonable and unlawful. The report also identified some other related areas of governance and financial management that the Council needs to strengthen.
37. The report was debated at Full Council in March 2011. The Council has been working through an action plan in response to the report recommendations and is also addressing other issues which it identified in its Annual Governance Statement, published in June 2011.

Weaknesses in collective leadership prevent the Council from making the best use of its resources

- 38.** Achieving improvements within a climate of reductions in public funding involves leadership, ambition and commitment at all levels, not just from the Leader and Chief Executive. Members and Officers need to work effectively together to ensure that a clear policy framework is supported by plans which make the best use of the Council's available resources by targeting them at delivering priorities. However, leadership is not just about making big decisions on what the Council does but is also about how it does things. The Executive needs to give clear direction, but all politicians and managers must recognise that they occupy positions in which they can influence attitudes and behaviours which affect the performance of Council services.
- 39.** Recently, there has been change in both the political and managerial leadership of the Council. The Council needs to ensure that these changes:
- increase its concentration on priorities;
 - ensure consistent compliance with policies, processes and procedures; and
 - strengthen challenge to poor performance.
- 40.** In April 2011 the Chief Executive resigned and currently the Council has an interim in place, the Director of Resources. There are three other Directors on the Corporate Management Team (CMT), two of whom were appointed in the last year. The Executive and the CMT recently agreed the main priorities for the Council, which are consistent with the Outcome Agreements and the Improvement Objectives. The Interim Chief Executive is acutely aware of the need to ensure there is appropriate engagement between all officers and members.
- 41.** In July 2011, Estyn reported that previous administrations had avoided taking the difficult decisions necessary to address significant shortcomings in education. Estyn identified that although the Council under the current administration has taken some difficult decisions which have begun to lay the foundations for improvement, not all elected members endorse the chosen approach and some actively oppose it.
- 42.** In July 2011 the Estyn inspection report was formally presented to a special meeting of the Council. Members voted unanimously in support of a motion moved by the Leader to work together to address the report's recommendations. The Leader then engaged in discussions within the independent ruling group and with the Labour opposition group to explore the possibility of a more formal cross-party arrangement. This would cover service areas other than education, for which the Education Commissioners have executive power. The Leader's intentions did not come to fruition. In August 2011, an extraordinary meeting of the Council was convened to debate a motion of no confidence in the Leader and Deputy Leader. The motion was defeated but the administration was weakened by changing allegiances and a defection to the opposition. The Leader subsequently survived a challenge to his authority from within the ruling group and the administration continued in power.

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43. In early October, the Leader announced that he would step-down and a special meeting of the Council was arranged to select a new leader. In mid-October a new Leader was elected from within the ruling Independent Group, the former Deputy Leader and also a new Deputy Leader who combines his new remit with the post of Executive Member for Resources. The ruling and opposition groups subsequently reached agreement on the composition of a revised administration. The Labour opposition has accepted three positions in the Executive, including new portfolios for Business Transformation and Partnerships and for Governance, and two Chairs of Scrutiny Committees. These arrangements are, as yet, untested.
 44. The next Local Government elections will be held in May 2012. The run-up to these elections is likely to affect politics within the Council. Politicians will need to work together to ensure that elections do not distract attention from the need for the Council to remain focused on delivering significant improvements.

The Council has taken steps to address previous poor conduct but some attitudes and behaviours are continuing to hold the Council back

45. The Council has experienced some political controversies in recent years which have on a number of occasions impacted adversely on the smooth running of the Council. Politics, conducted within and outside formal processes, is too often adversarial; challenges are not always constructive and on occasion degenerate into personal attacks and lead to negative publicity. Although legitimate political debate and independent scrutiny can be robust, at times, Council business has been disrupted by parochialism, in-fighting and tactics intended to dominate meetings and stop the Council working. Members have come to expect and accept this, but in the meantime, too frequently, poor service performance has continued unchallenged and its causes have not been addressed.
46. Some members and officers say that member conduct does not politicise Scrutiny nor is it detrimental to the work of Scrutiny. But, despite some positive aspects of Scrutiny arrangements, there have been examples of disruptive behaviour within Scrutiny committees. One of the effects has been to extend the duration of committees, meaning that Scrutiny is not using its time appropriately to fully focus its work.
47. The Council operates a cabinet system with a Leader, which has led to some members feeling less engaged in the political process and exacerbated a long-standing tendency for members to get too involved in operational issues. Following a complaint to the Public Services Ombudsman which resulted in a Councillor being suspended, the Council initiated an independent review of members' conduct. The review report was shared with Chief Officers in November 2010 and reported to a meeting of the full Council in July 2011. Although the complaint to the Ombudsman related to the conduct of a specific Member, the report identified a tendency for elected members to get too involved in the detail of service management and provision and a general reluctance to challenge unacceptable behaviour. The independent report's

authors found more widespread weaknesses in relation to: roles, responsibilities and relationships; leadership; management; training systems, protocols and procedures. The report made a number of recommendations in these areas, the majority of which the Council has already implemented.

48. Since 2000, 25 complaints have been submitted to the Ombudsman alleging breach of the Code of Conduct. Putting this record into an all-Wales perspective, this number of complaints is not excessive and over this period the Council has the lowest number of such complaints about Welsh councils to the Ombudsman. In 2010-11, no complaints against members were upheld and only one case of maladministration was upheld, one of the lowest figures for Welsh councils. The Council has now put in place a local protocol to deal with alleged breaches of the Code of Conduct which has been approved by the Ombudsman and the Council is firm in its resolve to address inappropriate member behaviour.
49. We have identified areas where systems and processes which should support good governance and delivery of improvements are hampered by poor compliance, leading to inconsistency and reduced effectiveness, for example, performance management. In some cases, officers are resistant to legitimate scrutiny and challenge, either from members who are democratically accountable for services, or from other officers who have responsibility for the management systems. Inconsistent compliance results in poor management information, which weakens decision-making and performance management, and can result in improvement initiatives not fulfilling their potential.

Despite a good track record of budget management, the Council's Medium Term Financial Strategy does not provide a clear framework to support decision making in the future

50. The Council agreed a balanced budget for 2011-12 involving reductions in funding for some services; but the effects of these cuts have not been identified. A Medium Term Financial Strategy document has been agreed by full Council, but further work is required to address significant capital and revenue pressures and embed medium-term financial management corporately.
51. The Council has had a good track record of managing within the budgets it sets, although in 2010-11 there were some overspends, particularly in social care. The Council has identified that it needs to make savings of approximately £9 million by 2014-15, of which £3.5 million are to be achieved in 2011-12. In setting the 2011-12 budget, the Council has sought to protect the Welsh Government's priorities of social care and education, although even in these services it is seeking savings to balance the budget at year end.
52. The Council has a well-established process for setting its budget and has created a budget working group with membership primarily made up of politicians. However, the opposition party decided not to participate in discussions to set the 2011-12 budget, although they did not formally oppose it. They have now started to participate.

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- 53.** With regard to capital funds the Council predicts its capital budget reducing by 22 per cent to £4.2 million which is significantly below what is needed and requires £3.4 million savings between 2011-12 and 2013-14. Anticipated cuts in Welsh Government budgets, for example transport, environment, sustainability and housing grants, will also have a significant impact but at present, the implications of these for the Council remain unknown.
 - 54.** Reductions in capital funding present challenges for the Council in delivering its plans for modernising school buildings under the '21st Century Schools' initiative. The Council is currently reviewing its bid to the Welsh Government for capital funding and assessing the impact of reductions in available funding upon its education modernisation plans. However, because the Council has already accessed other sources of external funding and is progressing with major educational building schemes on the Works site, its modernisation plans are less dependent upon '21st Century Schools' initiative funding than those of many other Welsh councils.
 - 55.** The Council has recently adopted a Medium Term Financial Strategy (MTFS) which sets out its predicted future resource requirements. The strategy establishes a broad framework for future financial planning but has a number of significant weaknesses.
 - 56.** The MTFS identifies future potential cost pressures within services and estimates that overall the Council will require additional resources or must re-allocate current revenue spend in the region of £3.5 million to £5 million to meet these costs. However, the MTFS does not include any indication on how the Council will address these pressures. The MTFS has no action plan showing how predicted deficits will be addressed or how service based pressures will be managed going forward. Without this level of detail the Council is unable to clearly identify and plan for how it will address the significant funding challenges it faces.
 - 57.** The Strategy has not been mainstreamed within the financial arrangements for the Council as a whole. It is not supported by a detailed long term plan which reflects risks, opportunities and potential impact of transformation and remodelling. For example, although it refers to partnership and collaboration it does not detail the impact on the Council's medium term financial position.
 - 58.** The MTFS also lacks detail in a number of other key areas either within the document or as supporting information. For example, there is very limited information on unit costs, activity costs, benchmarks and other financial performance measures to underpin decision making. Similarly, the MTFS does not set out how the Council intends to review service standards, where they exist, in light of budget reductions. There is no reference to risks emerging from reduced funding despite the strategy stating that all opportunities that carry risk need to be actively managed.

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- 59.** The MTFS information on capital expenditure is also limited in coverage and only focuses on the Council's own capital allocation. Given the Council has been successful in securing significant resources, in particular from the Welsh Government and the European Union, this MTFS consequently only presents a partial picture of current capital spend and does not clearly set out the challenges the Council faces going forward. By not including this comprehensive spending information, the MTFS does not provide a clear framework to support decision making in the future.
- 60.** To achieve balanced budgets in the future the Council will need to both reduce and change its workforce. To date, the Council has reduced its establishment by approximately 75 posts. This reduction was achieved without recourse to compulsory redundancy and focussed in the first instance on deleting vacant posts and voluntary severance. Whilst this has delivered a quick reduction in the Council's workforce and pay bill, the approach may have unintended consequences by reducing resources disproportionately, in some services more than others. Indeed, the impact of these reductions in staffing upon Council services has not been determined.

Appendix 1

The Audit of the Council's Improvement Plan

This report fulfils the Auditor General's responsibilities under section 19 of the Local Government (Wales) Measure 2009, (the Measure). As required, it will also be sent to Welsh Ministers.

The Auditor General is satisfied that the Council has discharged its statutory duty to publish its plans for improvement. However, due to the scale and pace of improvement required, the Council is unlikely to comply with the duty to make arrangements to secure continuous improvement during this financial year.

We have reached this conclusion because our audit and assessment work found that:

- The Council's Improvement Objectives and its annual improvement plan 'Corporate Improvement Plan 2008 – 2012, 2011/12 Stage 1 Review' meet the requirements of the Measure. A Welsh language version is available, the Council produced a summary plan and publicised the Improvement Objectives in its newsletter to citizens. The Council should consider including information on improvement activities in areas not covered by Improvement Objectives, including planned savings and disinvestments, if these impact on services for citizens.
- The Council has set out a clear rationale for selecting the areas it is focusing on improving, based on its current performance, public consultation and available resources. Its 10 Improvement Objectives reflect four key overall priorities in the Corporate Improvement Plan 2008-2012 which in turn, links to the Community Strategy, developed with LSB partners. Action is underway to strengthen links between the action plans for delivering the Council's Improvement Objectives and individual service plans. Consultation activity is described but the Plan does not state how communities or stakeholders may propose new Improvement Objectives during the year.
- The Council has clearly stated what the Improvement Objectives aim to achieve in relation to the Council's priorities along with measures of success and a description of current performance where available. The Council recognises that its current performance indicators do not consistently enable it to measure the impact it is having for citizens and has made some progress in developing new measures and supporting systems since setting its first Improvement Objectives in autumn 2010. Continuing this progress should support self-assessment and public reporting of performance against these Improvement Objectives in October 2011 and thereafter.

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- The Council has developed clear reporting formats within the Ffynnon performance management system and has started to improve the performance information these contain. Detailed action plans support each Improvement Objective but these are not contained within the Plan document and the extent to which Improvement Objectives are evident in service plans is variable. In order that it can accurately assess and report its performance it needs to demonstrate more clearly how planned actions contribute to outcomes, develop more outcome measures across the range of its activities, gather baseline data on existing performance consistently, identify minimum and desired standards, set annual targets for performance and ensure that these activities are monitored and reported within the established performance management system. It should publish this information in its annual Performance Report.
 - Some progress has been made but long-standing weaknesses in how the Council is run mean that prospects for significant and sustained improvement are poor. The reasons for this conclusion are set out in the Wales Audit Office's Full Corporate Assessment of Blaenau Gwent County Borough Council, issued in November 2011.

The Wales Audit Office will keep the Council informed of the detailed arrangements for the delivery of the Improvement Assessment Report later in the year. Our regularly updated work plan and timetable provides more detail on how we intend to focus resources in this year's assessment and in particular how we will add value by focusing on agreed areas or services. The work plan and timetable takes account of the Auditor General's response to the consultation of improvement authorities over his proposals for 2011-12 performance audit work. In particular, the Wales Audit Office will consider the reliance that we can place upon the Council's self-assessment processes (including the Council's Annual Governance Statement and the Annual Performance Report). We will comment on this approach in the Improvement Assessment Report, which will also report conclusions from areas of our annual work plan which we have not completed yet, as well as the work of other regulators.

We are grateful to the Council for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. In particular, we wish to record our appreciation for the Council's very positive response to the additional demands placed upon it, which has helped us to compress our planned work programme and undertake additional fieldwork in order to respond to the Local Government Minister's request for a fuller inspection of corporate arrangements. The Auditor General remains committed to providing appropriate levels of public assurance while supporting the Council in mitigating the inevitable risks to services and accountability that stem from reduced resources and consequential change.

Appendix 2

Progress on the proposals for improvement from the 2010 Improvement Assessment

Additional information on progress on proposals made in the Preliminary Corporate Assessment of July 2010 and the Annual Improvement Report of January 2011

Proposals for improvement	Progress
<p>1. Develop clear priorities that contribute to achieving the Council's vision, supported by a strategic framework, including strategies for medium-term financial planning, workforce planning, ICT and asset management.</p>	<p>A new Medium term financial strategy and a new ICT strategy have been approved by the Council. An Asset Management strategy is developed as a mature draft, and is scheduled to be presented to Scrutiny in November and Executive in December. A review of workforce planning priorities is currently being undertaken. The Council has created a new Executive portfolio covering Business Transformation and Partnerships.</p>
<p>2. Ensure the CIP builds on public and stakeholder engagement in priority setting and the Council demonstrates community leadership to manage citizens' expectations in a context of reductions in public funding.</p>	<p>The Corporate Improvement Plan including the Council's 11 Improvement Objectives has been approved by the Council. Proposals to establish a Citizen panel in conjunction with LSB partners will be presented to Scrutiny in November, prior to Council approval.</p>
<p>3. Develop an approach to challenging the value for money and sustainability of existing patterns and methods of service provision across all services and apply it consistently.</p>	<p>Work is necessary to evaluate approaches which have been tried before applying them more widely. The Council has created a new Executive portfolio covering Business Transformation and Partnerships</p>
<p>4. Train and support the Audit Committee so that it can effectively discharge its remit in relation to the Council's statutory responsibility to have arrangements in place to secure continuous improvement in its functions.</p>	<p>A formal review of the role of Audit in line with the local government Measure requirements has not been felt necessary. The Audit Committee has received information on the development of the Corporate Improvement Plan stage 2 prior to Council approval and also progress against the Wales Audit Office proposals for improvement set out in the Improvement Assessment Report 2011.</p>

Proposals for improvement	Progress
5. Prepare the Code of Governance, setting out the Council's governance principles and arrangements and which should have been in place at 1 April 2010, as a matter of urgency.	The Code of Governance has been drafted and approved by the Council.
6. Publish its Improvement Objectives sooner in future years, according to the Welsh Government's requirements.	The Council published its 2011 Improvement Objectives in May 2011, in line with requirements. A further Improvement Objective focusing on school attendance was added in October 2011.
7. Set out how citizens will benefit from the improvements set out in its objectives, and ensure they are achievable in the context of reduced resources.	The Council has refined its Improvement Objectives to define more clearly the expected outcome for citizens. The Council has undertaken consultation to identify what matters most to citizens and has used this to inform its priorities and plans.
8. Develop success measures which are supported by information about how the Council performs now, what its targets are, an analysis of cost and how its performance compares with other councils.	The Council has developed some new measures and is in the process of developing others and also data collection methods. Existing measures are reported each quarter to Executive and Scrutiny.
9. Identify minimum service standards for all service areas against which performance can be monitored.	The Council has not yet identified minimum service standards but has undertaken work to gain a better understanding of the impact of saving proposals as part of the budget setting process in relation to service delivery.
10. Apply the approach to setting Improvement Objectives focused on achieving improved outcomes for citizens to planning, delivering, monitoring and reporting the full range of the Council's functions and activities.	The approach which aims to measure the positive impact Council services are having on the community is being adopted across service areas. Officers have been identified and trained, an audit of the work they have undertaken within their services areas completed, and a series of further training sessions for other officers and refresher training sessions have been scheduled.



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