



WALES **AUDIT** OFFICE
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City and County of Swansea

Report by the Auditor General for Wales

Preliminary Corporate Assessment – July 2010



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Image courtesy of City and County of Swansea.

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Some corporate arrangements have improved and are positively supporting improvement,¹ but there are still some weaknesses and the Council's leadership now faces the challenge of delivering the necessary improvements in a very difficult fiscal environment

¹ The Council has produced the following definition: Continuous improvement is developing and implementing sustainable solutions, taking into account the needs and wants of the citizen, in the context of public spending cuts.

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Summary

- 1 The Auditor General is required by the Local Government (Wales) Measure (2009) (the Measure) to undertake an annual Improvement Assessment for each improvement authority in Wales, that is, local councils, national parks and fire and rescue authorities.
 - 2 In order to fulfil this requirement, the Wales Audit Office will undertake:
 - a Corporate Assessment – an assessment of an authority’s arrangements to secure continuous improvement; and
 - a Performance Assessment – an assessment of whether an authority has achieved its planned improvements.
 - 3 The approach is designed to enable a whole organisation assessment at each council to be undertaken in a standardised way. Taken together these two assessments will form the basis of an annual report to citizens, known as the Annual Improvement Report.
 - 4 The Auditor General has brought together her work, that of the Appointed Auditor, and that of other relevant regulators, to inform the Corporate Assessment. As this is the first year of a new approach the assessment is a preliminary one and this report should be viewed as a progress report. The Annual Improvement Report will also serve as an update for the Corporate Assessment.
 - 5 In March 2010, the Auditor General identified the scale of the financial challenge facing public services in Wales in a report to the National Assembly, A Picture of Public Services.
- The potential impact of spending reductions on local government has also been highlighted by the Welsh Local Government Association (WLGA), the Chartered Institute of Public Finance and Accountancy and the Society of Local Authority Chief Executives. In evidence to National Assembly’s Public Accounts Committee in June 2010, the WLGA noted, ‘there is no escaping the fact that all parts of the public sector will have to examine current expenditure and service provision – the shortfall cannot be solved by efficiencies alone’. To meet this challenge, local authorities must fundamentally review the services they provide and how they are delivered, including considering options for increasing procuring rather than providing services and working in collaboration. It is in this context that the corporate assessment has been prepared.
- 6 This report sets out the findings of the Corporate Assessment only and is designed to answer the question:

‘Are the arrangements of the City and County of Swansea (the Council) likely to secure continuous improvement?’
 - 7 As this is our Preliminary Corporate Assessment, there are several areas where only limited work has been possible. We will continue to build on this and monitor progress in the coming months to provide an update in our Annual Improvement Report to be issued in November.
 - 8 The conclusion arising from our first Corporate Assessment is that some corporate arrangements have improved and are positively supporting improvement² but there are still some weaknesses and the Council’s

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leadership now faces the challenge of delivering the necessary improvements in a very difficult fiscal environment.

9 We based our conclusion on our assessment of the Council’s progress over time and an analysis of the strengths and weaknesses of its arrangements to support improvement. These conclusions are explained in detail in Part 1 and Part 2 of the report respectively. We found that:

- following a period of significant change, the Council now has more settled leadership but will need to make tough and timely decisions to protect essential services and secure improvement in a very challenging environment; and
- some arrangements are positively supporting improvement and there is a stable Corporate Management Team but there are some governance problems and flaws in some business arrangements.

Special Inspection

10 Based on the Corporate Assessment the Auditor General does not intend to carry out a Special Inspection of the Council under section 21 of the Measure or to recommend that Welsh Ministers should provide assistance to the Council by exercising their power under section 28 of the Measure or give a direction under section 29 of the Measure.

Recommendations

11 The Auditor General does not recommend that Welsh Ministers should provide assistance to the Council by exercising their power under section 28 of the Measure or give a direction under section 29 of the Measure. The Auditor General has not identified recommendations for improvement for the Council under section 19 of the Measure.

Areas for improvement

12 The Auditor General has not made formal recommendations for improvement for the Council under section 19 of the Measure but proposals for action are suggested below.

Exhibit 1: Areas for improvement

- | | |
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| P1 | Engage further with partners to identify shared outcomes, and develop success measures and performance indicators. |
| P2 | Ensure that strategic plans are carefully aligned to, and integrated with, the Medium Term Financial Plan (MTFP) to strengthen corporate business planning. |
| P3 | Ensure that financial planning and service planning are better integrated to improve ownership of budgets and the actions required to achieve savings. |
| P4 | Explore ways of strengthening accountability for member behaviour and reducing the rate of referral to the Ombudsman. This might include consideration of a more active role for the Standards Committee and/or developing internal mechanisms for resolving complaints. |
| P5 | Ensure that there is a clearer structure for decision making in ICT and consideration of options for future ICT delivery. |
| P6 | Shift some of the balance of HR effort to future oriented planning and action to help the Council prepare for and mitigate significant risks before they develop. Specifically, the Council needs to focus on the following areas: <ul style="list-style-type: none"> ■ HR strategy ■ Strategic workforce planning ■ Individual performance appraisal |
| P7 | Improve the integration between service, financial and workforce plans to create a strategic approach to staff cost reduction that reduces the risk of a future mismatch between resource requirements and skills supply. |

Part 1: How the Council has approached improvement over time

Following a period of significant change, the Council now has more settled leadership but will need to make tough and timely decisions to secure improvement in a very challenging environment

- 13** The Council has been through a period of significant leadership change since 2004 and is now in a more settled position. However, while the position internally is more settled, the Council, along with all public bodies, is entering into a very difficult period of public sector spending cuts.
- 14** Future challenges will be on an unprecedented scale and will require a fundamental re-appraisal of the way the Council operates. The Council's leadership has to secure significant savings over the next few years and this will require tough and timely decisions about what and how to deliver.
- 15** The Council has put in place some corporate arrangements that will help it deliver future improvement but there are also areas that will need to be strengthened. The Council needs to address these shortcomings in order to secure the improvement it seeks, and also to demonstrate that the necessary improvements in Child and Family Services are embedded and capable of sustaining improvement.

The Council has in the past been characterised by significant leadership changes and a mixed picture of achievement

- 16** A period of Labour-led administrations from 1996 to 2004 has been replaced by coalition administrations since then. Alongside this significant change in political leadership, the period since 2004 has seen significant change at the most senior officer level within the Council.
- 17** The Council has had some notable successes over the years:
- the SA1 development;
 - the refurbishment of the reception area to develop a contact centre and relocation of the Central Library at County Hall;
 - the Liberty Stadium;
 - LC;
 - the development and early implementation of the schools modernisation programme; and
 - Association for Public Service Excellence (APSE) Council of the Year for Service Delivery 2009-10; and
 - good local authority education services and adult community learning inspections.



18 However, the Council has also encountered significant problems. The most notable of these were the critical reports on the quality of Child and Family Services from the Care and Social Services Inspectorate Wales (CSSIW) that resulted in the Deputy Minister for Social Services setting up an Intervention Board to oversee the necessary improvement. There were also problems with some elements of the ambitious e-gov programme, such as delays in achieving key milestones and the Council's ability to challenge whether the procurement would achieve value for money.

19 On 25 September 2009, the Appointed Auditor issued an unqualified auditor's report on the financial statements, confirming that they were prepared in accordance with statutory requirements and presented fairly the financial position and transactions of the Council. The Appointed Auditor also concluded that examination of the Council's significant financial processes identified some weaknesses in internal control.

20 In our most recent Annual Letter (January 2010) the Appointed Auditor concluded that the Council had appropriate arrangements to administer and report financial matters and to secure value for money in its use of resources in 2008-09, but there were some weaknesses in internal control and opportunities for improvement. We also concluded that our reviews indicated a mixed picture of both very good performance and areas for concern in major service areas.

The Council now has more settled political and senior officer leadership and is improving some key services, although Child and Family Services remain subject to intervention

21 The coalition administration is now in its second term in office and the Council has a stable Corporate Management Team with only one new member in the last three years, and that person was an internal appointment.

22 The Council had a positive Estyn inspection of the Local Education Authority in the summer of 2009. The inspection confirmed that education services were good with some outstanding features and there were good prospects for further improvement. The Council also had a positive report on Adult Community Learning following an Estyn inspection in November 2009.

23 Child and Family Services were re-inspected by CSSIW for a second time in March 2010. As a result of the findings from this re-inspection, the Service remains subject to intervention. The Intervention Board will continue to work with the Council and monitor progress until the improvements recognised by the Minister and CSSIW are embedded and capable of sustaining improvement.

The Council faces significant challenges and will need to make tough and timely decisions to secure improvement

- 24** In common with other councils across Wales, the Council faces the challenge of meeting rising expectations of council services from the local population in an environment of public sector spending cuts. These cuts will mean that the Council will have to secure significant and recurring savings over the next four to five years.
- 25** The challenge of securing significant and recurring savings which are likely to require the closure and cessation of some services, which will inevitably lead to changes in jobs and a reduction in the number of posts and a headcount reduction. Such changes require careful management that balances the need to save money with the need to minimise the potential damage to morale and the impact on future capacity and continuity from skill loss.
- 26** The Council will need to determine its shape and form in the future and strike the balance between delivering and enabling. Timing is vital, the Council cannot afford delays. It must take tough decisions quickly, particularly the big decisions about how and what to deliver.
- 27** The Council faces the further challenge of transforming services in a political environment of organised opposition, and the need to reconcile the different interests and ideologies contained within the coalition; and in the context of a high level of external scrutiny.
- 28** The Council has published its four wide-ranging improvement objectives covering the period 2010-11 in its report Making a Difference: Corporate Improvement Plan 2010-11. This report was formally adopted by the full Council on 18 May 2010 and sets out the Council's vision for Swansea and how the Council will work towards making Swansea a distinctive European city by 2020. The report breaks down the four improvement objectives into smaller goals supported by specific actions expected to be completed by March 2011.



Part 2: Analysis of the Council's arrangements to help it improve

Some arrangements are positively supporting improvement and there is a stable Corporate Management Team, however there are some governance problems and flaws in some business arrangements

Partnership arrangements, project management and some aspects of resource management are positively supporting improvement

Partnerships

29 The Council concentrates on partnerships that help to deliver its own corporate objectives. The main focus is on projects that directly benefit the local Swansea area or have a regional focus with its three main partners, the Carmarthenshire, Pembrokeshire and Neath Port Talbot councils. Examples of this approach include Swansea Matters, the partnership between education and social services and the police, Local Service Board (LSB) projects such as Not in Education Employment or Training (NEETs) and the focus on economic inactivity.

30 Within the LSB the Council is seen as the dominant partner, with the Chief Executive and Leader committing resources to lead the delivery of the four priority projects.

31 The Council has recognised that little progress has been made in agreeing shared outcomes and establishing shared performance indicators and success measures. The Council is now investing resources to develop the outcome focussed Results Based Accountability approach but has still to fully engage with its partners to take this forward in a joint way.

32 The Council also has some contractual partnership arrangements, for example the arrangements with Bay Leisure and Cap Gemini. Managing and gaining best value from these contracts is important to the Council and requires the focus of officers to shift to those of a contract manager rather than service provider. Retaining technical skills is however fundamental to the Council's ability to evaluate proposals and options. A test of these skills will be the Council's consideration of options for its approach to ICT delivery as the Cap Gemini contract enters its last five years.

Project management

33 The Council has a well-defined programme and project management methodology, which is supported by trained officers. The Council's approach to ensuring that its project managers are fully equipped to do their job is robust with an independently recognised electronic programme and project management training tool.

34 To ensure that the most significant projects and programmes receive the appropriate level of scrutiny and management, the Council's key delivery programmes are classified as

Strategic Programmes. All Strategic Programmes report into the Council's Strategic Programme Board (SPB), whose membership includes the Corporate Management Team. This provides an additional level of governance and an effective framework with clear strategic reporting lines.

Resource management

- 35** In recent Annual Audit Letters it has been acknowledged that the Council has appropriate financial, including budget management, arrangements. The Council has set a balanced budget for 2010-11, which includes the re-instatement of a £10 million contingency fund to provide capacity to deal with risks. The use of, and decision to retain, the contingency fund is good practice. The budget is to be achieved via an increase in council tax income, savings and the use of £3.5 million from reserves. The use of reserves has created breathing space for the short term but this approach is unsustainable in the medium to long term.
- 36** There are various degrees to which budget holders have ownership of their budgets and the actions required to achieve savings. Financial planning and service planning should therefore be more integrated.
- 37** The Council has developed a clear MTFP, which contains a broad assessment of spending needs and forecast shortfalls over the three-year period 2011-12 to 2012-14. It provides the message that a shortfall of circa £17 million is forecast in each year and that, therefore, the Council should prepare now for an extended period of austerity. While the Council has developed a clear MTFP, it does not explicitly link to other key corporate strategies.
- 38** The MTFP contains an Action Plan, which is designed to resolve the forecast shortfalls. The MTFP is clear that the current Action Plan is not sufficient and that achieving the required level of savings will necessitate cuts in services.
- 39** The structure of decision making in ICT in the Council is confused with a number of different boards and groups established. Ultimate responsibility now sits with two key groups: the Strategic Programme Board and the Information Management Board chaired by a Corporate Director. Heads of Service and Corporate Directors are members of these key groups and as such have the opportunity to influence ICT direction. The Council has limited in-house ICT capability and frequently uses consultants for advice and guidance; this has the potential to weaken decision making.
- 40** The strategic direction outlined in the recently revised ICT Strategy is clear, the strategy sets out options for the future and includes indicative costs. There is little or no linkage made to other Council objectives but there are clear links to national ICT drivers and ideas. It is unclear how the current contractual arrangements will impact on alignment with the Wales strategy.



The Council has a stable Corporate Management Team and a generally coherent set of policies and strategies but there are some governance problems and leadership needs to take tough and timely decisions to secure the necessary savings

Corporate Management Team

- 41** The issue of departmental and corporate roles within the Corporate Management Team (CMT) has been addressed. All Directors carry corporate lead roles and CMT has adopted a more strategic agenda of meetings with a greater emphasis on high risk areas over the past two years.
- 42** The CMT has shown that it can provide the necessary leadership in difficult circumstances, as exemplified by the improvements in the corporate leadership of Child and Family Services that were recognised by CSSIW following its re-inspection of Child and Family Services in March 2010.
- 43** While the CMT is stable there has been a reduction in top managers from 38 to 24 in four years. This reduction demonstrates a commitment to management efficiency but may have contributed to the emergence of some capacity constraints at first and second tier. The emergence of these capacity constraints may impact on the balance that has been achieved between the corporate and departmental roles of Directors by drawing them increasingly back into departmental roles.

Policy and Strategy

- 44** The Council's strategic direction is clearly set out in a range of plans. These plans are consistent with one another and represent a coherent strategic approach that would be sufficient in a steady state context. However, the Council is not operating in a steady state context and there is now a pressing need for them to be carefully aligned to and integrated with the MTFP to strengthen corporate business planning.
- 45** The Council has a model for citizen engagement through Swansea Voices. This panel has 1,250 members and the Council consults the panel approximately three times a year. The Council designs the surveys to show trend and performance change and to ask questions on topical matters affecting the Council and its services. The Council intends to consult on its Improvement Objectives in October 2010. Consultations are carried out via the website and through direct mailing of consultation papers to interested groups and individuals. Outputs from surveys are available to Corporate Directors, the Chief Executive and, for example, the Overview and Scrutiny Boards.
- 46** The Council is supporting the development of a consultation database to share findings/evidence with other interested groups such as the police and also contributes to the Swansea Consultation Partnership. The Council is looking to extend and strengthen its citizen engagement and consultation and is working with other Councils (Torfaen County Borough Council and Blaenau Gwent County Borough Council) and following Assembly Government guidance.

Governance

- 47** There appears to be a high rate of referral to the Ombudsman and this occurrence reflects either a greater propensity to refer or a greater incidence of member behaviour that warrants referral.
- 48** Scrutiny arrangements had been based around the separation of scrutiny and overview committees and this model has not generally proved to be very effective; with no forward looking role, delayed reporting and a concentration on issues of high political interest rather than those of interest to the public. While the combined scrutiny and overview committee that was established for Child and Family Services was highly commended by CSSIW, most scrutiny chairs and the majority of cabinet members are not supportive of new arrangements that have recently (May 2010) been introduced that see a reversion to combined scrutiny and overview committees. The proposed increase in the number of committees raises some questions. The increased number of Planning Committees is contrary to both officer and a previous audit recommendation³. The Council must demonstrate that an increase in the number of these Planning Committees represents an efficient and proper use of resources. This issue is an area that we will be reviewing through the summer months.
- 49** Other increases to the number of committees will need to be justified in the light of the contents of the recent Independent Remuneration Panel for Wales report⁴. This report states:
- ‘Councils should note we do not expect, as a consequence of our decision to remove Special Responsibility Allowances from chairs of non-regulatory and non-scrutiny

committees and from all vice chairs, that there will be an increase in the number of posts attracting an SRA, other than when a well-evidenced rationale supported by the Council at large and which can be publicly justified is provided to the Panel for its consideration.’

Leadership

- 50** The improved leadership provided to Child and Family Services that has been recognised by Ministers and CSSIW is attributable in no small measure to the positive effects of cross-party working. The Council would benefit greatly from this approach being replicated across other areas of Council business.
- 51** The Council now faces the challenge of implementing the 2010-11 budget and reviewing the areas from which expenditure reductions are expected in the medium term. The Council has established a process for determining how and where future savings will be made. This process essentially comprises a series of meetings between political and managerial leaders planned for June and July. A major challenge for the Council’s political leaders, following these meetings, is to take timely decisions and action to secure the necessary savings.
- 52** When it comes to taking the tough and timely decisions, the Council’s political leadership will have to reconcile the different interests and ideologies contained within the coalition. It must not allow this potential for conflict to inhibit decision making nor be a barrier to fostering the cross-party working which could be so beneficial.

³ Wales Audit Office report on Development Control, September 2008

⁴ Independent Remuneration Panel for Wales Moving Forward: *Proposals Beyond 2010*



Some flaws in business planning, performance and risk management and aspects of people management may compromise future improvement

Business planning

- 53** The Council is moving from a service plan to a business plan model. However, the business plans are not yet fully developed or used consistently across the Council. The Council is developing and piloting a revised approach to business planning that prompts services to look more closely at issues such as risk, workforce planning, budget, and equalities and sustainability. As previously stated, more work is required to fully align these plans with the MTFP.
- 54** The Council proposes to produce annually updated, three to four year, business plans which will replace the service plans at the Performance and Financial Management meetings as a tool for monitoring delivery.

Performance management

- 55** The Council has a well-developed model for producing performance information. A dedicated team supports the directorates and undertakes performance analysis. The Performance Team develops statistical summaries showing trend and performance against targets. The Performance and Financial Monitoring meetings provide a forum for challenging performance.
- 56** The Council's current performance management arrangements concentrate on measurement and monitoring within a centrally driven framework rather than the process being service owned. The culture is more one of performance

measurement than performance management. The Council is currently reviewing the range of indicators it collects and piloting an outcome focussed 'Results Based Accountability' (RBA) model to help support the move from a measurement to a management culture.

Risk management

- 57** The Council's risk management strategy and policy are now over five years old and the Council has not formally approved recent revisions to the documents. There are a number of risk registers in place, containing risks ranging from major corporate issues to minor operational risks. This proliferation of risk registers creates a confused overall picture.
- 58** The role of members is not clearly defined in terms of identifying and monitoring risk. The Council has established a strategic risk group but, despite broader invitation, current attendance is limited to members of the Performance and Strategic Projects Service Unit and Directorate Risk Co-ordinators. In addition, the Strategic Programme Board and Directorate Performance and Financial Monitoring meetings consider risks and issues.

People management

- 59** The Council has clearly identified HR priorities but these are not documented in a Human Resources (HR) strategy. While the pace of improvement is limited by constrained resources good progress is now being made on pay and grading and the payroll system. The Council has HR plans that are focused and aligned to business objectives but workforce planning is at an early stage of development. There is little overall integration between service, financial and workforce plans causing a lack of strategic approach to

staff cost reduction, and presenting a significant risk of future mismatch between resource requirements and skills supply. The Council has a clear Sickness Absence Policy, actively monitors sickness absence levels and has invested in occupational health. This pro-active management has resulted in a reduction in the level of long-term sickness absence.

- 60** There is a lack of clarity on the future role of HR in the Council. Temporary joint HR leadership arrangements that are in place appear to be working well, however, a single point of accountability and senior HR leadership is required in the longer term.
- 61** The Council faces resource constraints to support the desired pace of change, and this may result in a related drift on key project timescales and deliverables. There may be insufficient Organisational Development capability to drive and support culture change and there is a potential lack of capacity (rather than capability) to manage a large scale staff redundancy programme, if needed, in a timely and effective manner. A clearly documented HR strategy and plan incorporating an effective workforce strategy is needed.

