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Good Governance when determining significant service changes – **Merthyr Tydfil County Borough Council**

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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 Merthyr Tydfil County Borough 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 **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**, Welsh Government

- 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, to inform our assessment of the Council's overall arrangement for developing and determining service changes 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:
- Increase in charges for domestic bulky waste;
 - Increase in charges for trade waste refuse collection;
 - Increase in bulky waste collection fee;
 - Sports Fields – increase in fees;
 - Bereavement Services – increase in fees; and
 - Home for the elderly – increase in standard charge.
- 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 has developed a clear and effective framework for delivering significant service changes but there are opportunities to further strengthen arrangements.

Proposals for improvement

Exhibit 1: proposals for improvement

Proposals for improvement	
The Council's governance arrangements could be strengthened by introducing greater transparency through:	
P1	Publishing a Cabinet forward work programme that includes details of forthcoming service change proposals to be determined; and
P2	Ensuring that scrutiny committees have the opportunity to determine if they wish to scrutinise proposed service changes, including allowing for sufficient time in decision making processes to enable meaningful consideration of proposals.

Detailed report

The Council has a clear vision and set of principles underpinning its approach to service change, linked to the delivery of its priorities

- 7 The Council has developed a vision for its change programme which is to 'Enable our Customers to be self-reliant by corporately embracing change and shifting towards a sustainable, resilient and high achieving Local Authority'. Recognising the need to develop a different approach to managing budget reductions the Council has developed an approach that has several work streams underpinned by an Operating Model Design (OMD). The OMD sets out a guiding statement, principles and expectations for how the Council will operate.
- 8 The guiding statement of the Council's OMD is 'we are an innovative local authority that is ambitious, customer led and outcome focused.' The OMD also includes the eight principles below, one of which is concerned with aligning the budget to key priorities:
 - Listening and engaging with our stakeholders
 - Clear communication
 - Embracing digital technology
 - Focusing on the key priorities and outcomes
 - Consistent and timely implementation of the strategy
 - Everyone is accountable
 - Aligning the budget to the key priorities
 - Promoting independence
- 9 Each of the principles also has a number of 'operating expectations' attached to them. For example for the principle 'Listening and engaging with our stakeholders', the operating expectations are 'our service offer will be informed by the needs of our customers' and 'we will make clear the customer contact options for different customer groups.'

10 The Council has five work streams for 2016-17:

- Outcome focused redesign
- Customer service
- Procurement
- Social Care and Supporting People
- Joint working with neighbouring councils

The Council's governance arrangements for service change are well defined and understood

- 11 Roles and responsibilities in relation to developing and determining service changes are generally clear, and understood by officers and members. The Council has established arrangements to assist with the delivery of its change programme, with clear terms of reference.
- 12 The role of the Council's Change Management Programme Board is summarised as to 'govern and direct the MTCBC [Merthyr Tydfil County Borough Council] Change Management Programme within the strategic direction set by the Council.' The Council has a Change Management Steering Group whose role it is to 'challenge and monitor approved programmes, projects and actions under the direction of the Programme SRO'³ (Senior Responsible Officer).
- 13 The Council has introduced informal Cabinet workshops, also attended by Chief Officers, to challenge the robustness of business cases prior to them being submitted to Cabinet for decision. The Council has also established a Business Change Team that supports service managers in delivering options for service changes. During our review, senior officers and Members demonstrated a good understanding of their roles and the roles of the various fora that support the development and delivery of the Council's Change Programme.
- 14 The Council has begun to give consideration to the requirements of the Wellbeing of Future Generations Act (WFG Act) in determining service changes through reviewing its approach to sustainability impact assessment in formal reports. The Council has recently developed its business planning template to include consideration of the five ways of working in the WFG Act, and has held training sessions on the Act for Members and Officers.

³ Merthyr Tydfil County Borough Council Change Management Programme – Steering Group Terms of Reference. Version Number 1.3, August 2016

Whilst the Council is able to demonstrate that detailed options appraisals have been undertaken for some change projects, Members are not always presented with a wide range of options, and there is scope to improve the transparency of arrangements

- 15 We looked at a number of business cases in reports relating to the Council's 2015-16 'Immediate Opportunities' and 2016-17 'Income Generation and Cost Recovery' work streams. The information presented to the Council's scrutiny committees in relation to the proposed 'immediate opportunities' included those business cases that were both supported and rejected by Cabinet and Corporate Management Team. We found that the business cases presented to scrutiny committees and Cabinet sometimes contained a limited range of options, together with limited evidence of the criteria that had been applied and the evidence considered in determining the options.
- 16 We were provided with more recent examples of internally focused proposed changes to services that were accompanied by more detailed options appraisals. The examples were in relation to a proposed relocation of a depot, and a proposal to make the Council's 'Contact Magazine' cost recovering. These examples contained a range of options, and detailed information in relation to those options as well as a clearer articulation of the criteria against which options were appraised.
- 17 The Council has further developed its business plan/options appraisal template, and this now includes consideration of the WFG Act.
- 18 There is scrutiny and challenge of service change proposals at a number of levels including by the Council's Change Programme Steering Group, Change Management Programme Board and also at informal Cabinet Workshops which are also attended by Chief Officers. The Council's scrutiny committees are not systematically involved in the service change process, although, there are examples where service change proposals have been subject to formal scrutiny.
- 19 Once Business Cases are appraised through the Council's change management arrangements, which include the Chief Executive, Deputy Chief Executive and Monitoring Officer, they are presented to Cabinet/Council. Scrutiny members have the opportunity to call in a decision of the Cabinet to be considered by the relevant Scrutiny Committee, prior to the decision being implemented. The Scrutiny Committees determine their own work programmes. There are opportunities for scrutiny chairs to be aware of forthcoming proposals through their attendance at departmental management meetings. However, this arrangement is not publicly transparent, does not involve other scrutiny committee members and does not

provide scrutiny committee members with the opportunity to determine which proposals they would like to scrutinise prior to a decision being taken.

The Council consults on service changes where it considers appropriate, but a lack of transparency in some aspects of governance arrangements limit the extent to which stakeholders can engage in decision-making

- 20 The Council can demonstrate that it has acted on the results of consultation. A recent example is the decision (May 2016) not to progress with a proposal to remove all investment in the statutory Youth Service provision in the North Cluster of the County Borough following consultation. There is also a standing item on the Change Management Steering Group Agenda and the Change Management Programme Board on 'Public Consultation & Communications – Update.'
- 21 The Council does not always consult on individual service change proposals. For example the public were not consulted in the preparation of business cases relating to the Income Generation and Cost Recovery, and Immediate Opportunities work streams that we examined. Although, some consultation was undertaken after proposed increases to fees and charges (Income Generation and Cost Recovery Work stream) were approved by Council. The Council recognised the need to strengthen this approach, and business cases are now reviewed by the Communication and Consultation Sub-Group of the Change Management Steering Group to determine if consultation is required, and if so, the approach to be adopted.
- 22 There are other opportunities for the public to engage in decision-making on service change, for example there is provision for the public to request to speak at scrutiny committees and also to submit views on topics being considered. There is also a comprehensive scrutiny work programme available on the Council's website for 2016-17 including the items to be considered by each committee along with a description of each item. The Council also webcasts its Council meetings, but not meetings of Cabinet or other committees such as its scrutiny committees.
- 23 Other elements of the Council's arrangements are less transparent and therefore potentially limit opportunities for stakeholders to engage in decision-making. For example there is no published Cabinet forward work programme, which potentially limits the ability of both the public and non-executive members to be aware of forthcoming decisions relating to service changes. Also, the publicly available minutes for some service changes vary in quality and meaningful detail. For example, the relevant Cabinet and Scrutiny Committee meetings at which the 'Immediate Opportunities' business cases were considered are brief. The minutes of the relevant Cabinet meeting did not set out the specific decisions arrived at in relation to each of the individual proposals/business cases contained in the report,

which potentially limits the ability of members of the public to understand which decisions had been taken and the rationale for this.

The Council has effective arrangements to monitor the delivery of projects and the subsequent impact on budgets and recognises the need to strengthen arrangements for monitoring the impact of service changes

- 24 We reported in our Financial Resilience: Savings Planning report⁴ that the Council has arrangements in place to monitor the delivery of change projects and the realisation of associated financial savings. We also reported that whilst the impact on the public has been considered in business cases for some savings proposals, this is not evident for all appropriate proposals.
- 25 The Council has identified that it does not systematically monitor the impact on the public of specific savings proposals/decisions on service changes and has recognised it needs to strengthen its arrangements. The report to Scrutiny⁵ – **Scrutiny Performance Report: Organisational Support – Business Change Strategy** identified one of the lessons learned that was ‘being acted upon’ as “Greater emphasis on, and identification of project benefits/dis-benefits and how they impact upon Corporate Strategies’. The Council intends to move to monitoring the benefits/dis-benefits arising from service change decisions against the priorities in the Council's Strategies on a Page through its Performance Board. The outputs of the Performance Board discussion would then be considered by scrutiny, however these plans are at an early stage.
- 26 The Council assesses the potential impact of service changes on the groups who share protected characteristics through the production of equality impact assessments (EIAs). Officers are also required to include the implications identified in EIAs in the body of report submitted to Cabinet, with a section for this in the report template. The Corporate Risk and Equalities Manager also undertakes quality assurance of draft EIAs prior to them being finalised in Cabinet reports.

⁴ Issued February 2017

⁵ Governance, Performance, Business Change and Corporate Services Scrutiny Committee, 8 November 2016

The Council continues to learn from its experiences in delivering change projects to strengthen its governance arrangements

- 27 The Council has continued to refine its governance arrangements for determining and delivering service changes, building both on previous experiences and in response to external drivers such as the WFG Act. For example the Council has restructured its corporate risk register and amended its business planning template to take account of the WFG Act as well as including a section on sustainability impact in report templates.
- 28 Cabinet workshops, attended by the Cabinet and Chief Officers have been introduced to improve the level of challenge to business cases and associated service change proposals prior to them being formally considered for decision by Cabinet. This builds on the changes in governance arrangements for developing and delivering change projects that have been introduced in recent years including the creation of the Change Management Programme Board and the Change Management Steering Group.
- 29 The developing culture of self-assessment and challenge has also helped the Council to identify future areas for improvement in its governance arrangements for service change. As noted above, officers have identified the need to strengthen the role of scrutiny in service change decision-making including the potential for more pre-decision scrutiny, and also to strengthen arrangements for monitoring the impact of service changes.

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