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

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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

¹ CIPFA/SOLACE, [Delivering Good Governance in Local Government: Framework 2007](#)

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

- 4 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:
- residential care homes
 - car parking
 - libraries
 - adult and community learning
 - civic amenity sites
 - school catering
 - pupil teacher ratio
 - free swimming
 - green waste and black bags
- 5 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 2015 the Wales Audit Office undertook a Corporate Assessment of the Council. The resultant report included the following recommendation:
- 'The Council should develop a strategic plan that sets out a clear vision for the future delivery of its services within the financial constraints it faces over the medium term. This plan should consider and set out, with a clear timeframe, how the Council:
- intends to meet its service priorities, and achieve the cost reductions necessary over the medium term;
 - will consult and engage with its citizens to inform decision making in relation to service change proposals;
 - will evaluate and decide which business operating models provide the best options for delivering future services, incorporating assessment of the medium and long-term social and community risks of proposed spending cuts;
 - will ensure timely and robust scrutiny and other appropriate governance arrangements are put in place to manage and deliver change; and
 - post change, will monitor and scrutinise financial and service performance to ensure that cost reductions are being realised and agreed service standards and outcomes are being achieved.'

- 7 This review is not a follow-up of the Corporate Assessment and it has not assessed progress against the recommendation. Follow-up of the Corporate Assessment will be undertaken through a separate piece of audit work. However, given the focus of this review, it is inevitable that it has covered some related issues.
- 8 As this review has focused on decisions taken in 2015-16 and 2016-17, we recognise that the Council would have had limited time to act on and make measurable improvements in the areas covered by the Corporate Assessment recommendation. Consequently, many of the weaknesses identified in the Corporate Assessment report are also likely to be apparent for the period covered by this review. However, this report also refers to arrangements that have recently been adopted or are currently under development, as they relate to decision making on service change.
- 9 In this review we concluded that ‘the Council is developing its strategic planning framework and is addressing some longstanding weaknesses in governance arrangements, but additional action is required to improve how decisions on service changes are made’.

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out our proposals for improving the Council's arrangements for determining and delivering service changes:

Proposal(s) for improvement	
P1	The Council should provide a range of options when presenting proposals for service change in Cabinet and scrutiny reports to aid decision making, scrutiny and transparency.
P2	The Council should ensure that service change proposals are accompanied by comprehensive supporting information, including impact assessment information, to aid decision making and transparency.
P3	The Council should develop a more systematic approach to monitoring the impact of decisions to change services, including clarifying the role of scrutiny committees in reviewing service change post-implementation.

Detailed report

The Council is developing its strategic planning framework and is addressing some longstanding weaknesses in governance arrangements, but additional action is required to improve how decisions on service changes are made

The Council has adopted a vision for Pembrokeshire and is now developing elements of a strategic planning framework that could help to provide a more consistent basis for making decisions on service change

- 10 In 2015 the Wales Audit Office undertook a Corporate Assessment of Pembrokeshire County Council (the Council). Our Corporate Assessment report recommended that the Council should 'develop a strategic plan that sets out a clear vision for the future delivery of its services within the financial constraints it faces over the medium term' (see [paragraph 6](#) for full details).
- 11 As in other councils in Wales, reductions to Pembrokeshire's budget have clearly been a driver for service change. The service changes we reviewed were 'cost reduction/efficiency measures' that had been included as budget mitigations within the Council's Medium Term Financial Plan (MTFP) 2016-17 to 2019-20.
- 12 The Council recognises that its past decisions on service change have been largely driven by financial considerations, rather than a clear focus on what kind of organisation it wants to be, how it wants to work and what it wants to achieve. The Council's MTFP identifies the need to develop a more strategic approach to delivering its financial savings.
- 13 In July 2016 the Council adopted the following vision statement: 'Working together to improve life in Pembrokeshire'. It also set out its intention to develop a new Corporate Plan and supporting strategic plan. The Council intends for these documents to set out a vision for the future delivery of services, while reflecting the financial constraints it faces.
- 14 The Council is in the process of establishing a 'Transformation Programme'. The programme is intended to deliver the 'full scale transformation' the Council considers necessary if it is to achieve the savings required over the period of its MTFP³.

³ Wales Audit Office, 2017, **Financial Resilience: Savings Planning – Pembrokeshire County Council**

- 15 In February 2016 the Cabinet agreed 'operating model design principles'. They comprise five key principles that aim to provide a framework for service design:
- prioritise services based on measured need/ demand/ consumption
 - minimise costs
 - recover costs
 - innovate
 - collaborate
- 16 The majority of the Council's service changes that we considered pre-date the Cabinet decision to adopt the operating principles. As a consequence, they are not referenced within those service change proposals. However, some of the design principles are not new to the Council. In particular, 'minimising costs' and 'recovering costs' appear to have been relevant considerations in the service changes we reviewed. The 2016-17 proposal to develop an alternative service delivery model for Leisure and Libraries seems to demonstrate some implicit links to the Council's operating principles. For example, the options appraisal criteria includes 'more efficient way of working' and 'same or better standard at reduced cost' (minimise cost), 'flexibility to take on new challenges' (innovate) and 'ability to build and develop partnerships' (collaborate).
- 17 The Council has also undertaken a 'service prioritisation' exercise. The purpose of the exercise is to foster broader consideration of what change can be delivered and how it will be delivered in each of its service areas from 2017-18 onwards. The Council used a 'service prioritisation matrix' to identify where it could make the 'biggest financial returns' whilst having a 'small impact on vulnerable communities'⁴. While there are clear connections between the elements covered in the service prioritisation matrix and the operating model principles, the former does not explicitly set out how they relate to one another.
- 18 The Council is also beginning to respond to the requirements by the Well-being of Future Generations (Wales) Act. It has consulted on well-being objectives that will be incorporated into its Corporate Plan for 2017-18 and has begun to make changes to promote sustainable decision making (see [paragraph 34](#)). The Council has also incorporated reference to 'corporate objectives' within its service prioritisation matrix, which allows for an implicit link to the well-being objectives. The Council will need to ensure that its well-being objectives and sustainable development play a prominent role in determining future service changes.
- 19 The above elements taken together could provide a more cohesive and consistent framework for determining future service change proposals. However, they are currently at various stages of development and implementation. It will be crucial for the Council to bring all the elements together in a coherent way, aligning its MTFP and other resource plans to support delivery.

⁴ Pembrokeshire County Council, 4 July 2016, **Cabinet Report: Service prioritisation matrix**

The Council has revised its Constitution and made changes to its scrutiny arrangements that have the potential to improve decision making on service change, although some other governance improvements are inconsistently applied

- 20 The Council adopted a revised Constitution, which came into effect on 18 November 2016. One substantial change relates to the structure and function of its overview and scrutiny committees.
- 21 The new arrangements redefine the scrutiny committees' remits and the first meetings of the new committees took place in October 2016. The arrangements introduce a new Policy Overview and Scrutiny Committee, which is tasked with undertaking all pre-decision scrutiny. The Council acknowledges that pre-decision scrutiny has been lacking in the past and it envisages that increased pre-decision scrutiny will support improved decision making on service change. It is recognised that for this to be effective, the Policy Overview and Scrutiny Committee's Forward Work Programme will need to be aligned to the Cabinet Forward Work Programme.
- 22 The Council implemented the revised scrutiny arrangements in autumn 2016 to build in time to review them ahead of the local government elections. It therefore has an opportunity to make further improvements in time for the new Council term.
- 23 The Council has also put some measures in place to support members and ensure scrutiny is effective. The Council has commissioned some training to help scrutiny members reflect on their role and how they best undertake it. There is also has a new cover sheet that accompanies scrutiny items, setting out the reasons why the committee is scrutinising a particular issue and potential lines of enquiry. It is intended that the cover sheet will help to provide clarity and focus for scrutiny committee members.
- 24 However, some other aspects of the Council's governance arrangements need to be improved in order to better support decision making. For example, we found that the sign-off of formal reports by key senior officers has been inconsistent. The Council has introduced a sign-off process for Cabinet reports, whereby the Heads of Human Resources, Finance and Legal provide comments that are incorporated into reports. However, whilst the process is mandatory it has not always been undertaken. The Council informed us that it is in the process of introducing a new template for Cabinet reports that will require all reports to have sign-off from relevant senior officers and will also ensure that all reports include a section on Integrated Impact Assessment (see also [paragraph 34](#)).
- 25 Despite these developments, there has been no equivalent process for the signing-off of Council and scrutiny reports. Those reports are signed-off at the discretion of officers. This has meant that input from the Heads of HR, Finance and Legal is dependent on report authors making a request for advice. This arrangement increases the risk that relevant information or considerations may not be presented to members to help inform scrutiny and decision making on service change proposals.

- 26 Cabinet also receives a high number of notices of motion, which can mean that agendas often contain a significant number of items. This has the potential to limit the time available to focus on decisions of greater significance and/or risk.
- 27 Relations between members and officers have been a continuing issue within the Council and have been included as a significant governance risk in the 2014-15 and 2015-16 Annual Governance Statements, with associated actions identified. The risk is described in the following terms: 'behaviours could impact upon decision making, which could result in objectives not being achieved and a decline in performance'.
- 28 The changes the Council is making to governance arrangements could have a positive impact on relations. Similarly, their success will clearly be dependent on the behaviours and relationships of members and officers. There are some indications that relationships are improving. For example, during our fieldwork some Cabinet and scrutiny members told us they felt they had more influence on decisions than they have had in the past. The Cabinet members also reported that they are involved in the development of service change proposals and work with Directors to shape those proposals at an early stage. Furthermore, some members also reported that communication between scrutiny and Cabinet has recently improved and cited the fact that scrutiny members now attend Cabinet to present recommendations. Nevertheless, this was not universally the case and some officers and members felt there was still a lack of trust.

Reports containing proposals for service change do not generally set out a range of options, and the extent and quality of supporting information is inconsistent

- 29 Cabinet reports containing service change proposals do not generally contain a range of options. For example, reports setting out proposals for changes to residential care, and for closing adult learning centres did not set out alternative options. However, there are some examples where a range of options for service change have been set out, such as in relation to civic amenities and libraries. In relation to the latter, each element of the wider service change programme contained options. The proposals for the Leisure and Libraries Alternative Delivery Model, taken to scrutiny in October 2016, is also a notable example where an extensive range of options and detailed appraisal criteria were included. For the examples we looked at, the inconsistent approach to setting out a range of options does not appear to correlate to the scale of the service change or the range of options available to the Council.

- 30 Despite options not being a widely set out, some Cabinet members and senior officers told us that they discussed options informally and some reported working together to develop proposals at an early stage. Notwithstanding this, some members and officers told us that they recognise the current practice of not setting out the range of available options in reports is not transparent and needs to change.
- 31 There is also variation in the range and detail of information contained in Cabinet reports. Some reports go to Cabinet with detailed information relating to considerations such as cost, results of consultation and implications for staff. However, other reports contain relatively little information on these aspects.
- 32 Information relating to equalities is also not always present in reports containing service change proposals. There have been some instances where Equality Impact Assessments have been undertaken but not referenced in the relevant report. There have been other instances where they have been listed as background papers rather than appended to the main report, and the content of the assessment not being referenced in the report. The Council should assure itself that it can explicitly demonstrate that equalities considerations have been taken account of as part of decision making.
- 33 The Council has begun to strengthen its arrangements for pre-decision scrutiny, with the potential for more detailed and timely pre-decision scrutiny of service changes. During the autumn of 2016 the first pre-decision scrutiny meetings took place. On 24 November the pre-decision Policy Overview and Scrutiny Committee looked at waste service options. This was very early pre-decision scrutiny with a good covering report and a range of options provided, representing a new approach for the Council.
- 34 The Council has also sought to develop its Equality Impact Assessment into a broader Integrated Impact Assessment to incorporate other legislative requirements, including the Well-being of Future Generations (Wales) Act 2015 (the Act) and the Welsh Language Standard Regulations. The Council has begun to apply this during 2016-17. The Integrated Impact Assessment form is clear and, if used effectively and consistently, could help ensure that statutory obligations are considered and met when service changes are being developed and decisions taken. While this is a new approach it demonstrates that the Council is proactively seeking to incorporate the requirements of the Well-being of Future Generations (Wales) Act 2015 Act into its decision making.

The Council is making some improvements to the way it engages and consults with citizens, but the extent of consultation is inconsistent and how it uses the results of consultation to inform decisions on service change is not always clear

- 35 The Council recognises it is on a learning curve in relation to engagement and consultation and there is considerable scope to improve on how it has undertaken such activity in the past. It has improved its approach to budget consultation, using social media, public meetings and questionnaires to increase the level of responses in recent years. It continues to review its approach, and during our fieldwork, we found there was a common view amongst the members and officers that the Council needs to get better at communicating to stakeholders the reasoning behind its service change proposals.
- 36 During our review, senior members and officers stated that they are committed to listening to the public and have a range of different established methods for this engagement. For example the ‘have your say’ section of the Council’s website has advertised sessions for the public to meet the Council’s Leader and Chief Executive as part of the budget and well-being objectives consultation. The Council is also seeking to ensure information is fed back to the public. For example, the Leader reported back to the public on the 2015-16 budget consultation to set out the Council’s response to feedback received during the consultation exercise. The document is succinct and clear and is available on the Council’s ‘have your say’ section of the website.
- 37 However, the Council has not followed a consistent approach to seeking, considering and reporting stakeholder views on service change. There are some examples where proposals have changed as a result of consultation with staff and the public and where significant views have been gathered. However, there are also some examples where scrutiny has identified a lack of consultation on proposals and provided challenge.
- 38 Some Cabinet reports include an overview of consultation. Equality Impact Assessments also include reference to the results of consultation. However, as previously stated, these are not always appended to Council reports and information on consultation is not always set out. Therefore, the extent to which consultation information consistently informs the Council’s decision making is unclear. However, the new Cabinet report template includes a section on Integrated Impact Assessment. This means that reports will need to reference the Well-being of Future Generations Act and describe how the related five ways of working have been considered (see also [paragraph 3](#) above)⁵. As ‘involvement’ is one of the five ways of working, this could help the Council to ensure that it references consultation information in the future.

⁵ The Well-being of Future Generations Act and supporting statutory guidance sets out five ways of working that public bodies are required to take into account when applying sustainable development. These are: long term, integration, collaboration, prevention and involvement.

- 39 Furthermore, the Council's revised Constitution also requires that reports to Cabinet: '...must contain details of the nature and extent of consultation undertaken with stakeholders and with the relevant Overview and Scrutiny Committee and the outcome of that consultation'.
- 40 The Council has made it easy for the public and other stakeholders to find information on service change. This aids transparency and could enable stakeholders to better engage in decision making. The Council's formal reports and minutes are accessible on the website and the link to its overview and scrutiny webpages is prominent. The scrutiny webpages include a guide to scrutiny, setting out the scrutiny process as well as details on how the public can engage in it. The terms of reference of the Council's committees are clearly set out as standalone documents. There are also forms for members of the public to suggest topics and to give their views on any item which forms part of the committees' forward work programmes. The Council's Scrutiny Committee forward work programmes are accessible as standalone documents. They set out topics for three meetings ahead and a brief summary of the focus or purpose of the item. Since September 2016 all scrutiny meetings have also been webcast which has helped to improve accountability and the transparency of arrangements.
- 41 Equality Impact Assessments and subsequently Integrated Impact Assessments are published on the Council's website, which goes beyond the legal requirement to publish only those where a substantial impact has been identified.

The Council monitors the achievement of financial savings but does not have a systematic approach to monitoring the impact of service change

- 42 The Council undertakes regular monitoring of financial savings and there are meetings between Heads of Service and accountants which inform a quarterly integrated report that goes to Cabinet and scrutiny. However, the Council does not have arrangements in place to ensure systematic monitoring of the impact of services changes. Some of the Council's reports on service change and impact assessments that we reviewed made reference to how and when monitoring would take place. However, the Council could further develop this by setting out how impact will be monitored, by whom and when at the point of each decision.
- 43 The Council's Integrated Impact Assessment template includes a section on evaluation and the supporting guidance encourages officers to set out how they will assess success and the timescales for doing so. If this is consistently used it could help to drive a systematic approach to monitoring the impact of service change.

- 44 Scrutiny has not had a prominent role in monitoring the impact of specific service changes but the Council intends that it will have a greater role under the new arrangements. However, there is now one 'services' scrutiny committee and it is planned that each Council service will attend on a cyclical basis. This means that there may be limited time to scrutinise additional monitoring items. Therefore, scrutiny committees will need to consider how they can build effective monitoring of the impact of service changes into their forward work programmes.

The Council has sought to improve aspects of its decision making in response to external audit reports, but does not have a systematic means of learning from its delivery of service change

- 45 The Council has demonstrated a willingness to refine and improve aspects of its decision-making arrangements in response to external audit reports. For example, it has sought to develop a vision and a programme of transformation activity in response to the Corporate Assessment recommendation. It has also introduced changes to its scrutiny arrangements as part of its revised Constitution, having commenced the process of reviewing its Constitution in 2012.
- 46 There are opportunities for the Council to learn from the changes it has made to its governance arrangements and to expand upon them. It will be particularly important for the Council to continue to reflect on the effectiveness of its arrangements for determining significant service changes, given the likely increase in the scale and pace of service change as part of its transformation agenda.

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