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Date	9 November 2011
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Dear John

### **Improvement Assessment: Including Corporate Assessment Update**

As I explained in my letter of consultation on this year's Improvement Assessment I am fulfilling my responsibilities under section 19 of the Local Government Measure (2009) in this letter to the Council. As required this letter will also be sent to Welsh Ministers.

During the transition year we prioritised the establishment of a general baseline which included the views of other inspectorates and regulators, and from which we could more accurately and proportionately assess improvement arrangements in future years. Having established that baseline, a comprehensive assessment will not be necessary in most councils in any one year. This year, my letter summarises:

- the Council's compliance with its statutory obligations to make arrangements to secure continuous improvement;
- the Council's progress on areas for improvement and recommendations identified in the 2010 assessment;
- a brief commentary on any relevant issues that may have emerged since my last report, including comments on how the Council is addressing financial challenges; and
- updates to the work plan and timetable for delivering my Improvement Assessment work.

## **The Council's arrangements to secure continuous improvement**

### **The Council leadership is continuing to manage financial challenges but still needs to improve its performance reporting so that it is able to clearly demonstrate the outcome of its activities**

The Council's improvement objectives and the improvement plan (called the Corporate Plan 2010-2014) broadly meet the requirements of the Local Government Measure (2009) by setting out improvement objectives and proposed actions for the forthcoming year.

I am satisfied that the Council is discharging its minimum duties for setting improvement objectives under the Local Government (Wales) Measure 2009 but there is scope to improve the way it communicates relevant information to citizens. I have reached this conclusion because my audit and assessment work has found that:

- The Cabinet re-affirmed its improvement objectives for 2011-12 early in the financial year, put the relevant documents on the 'improvement' section of its website, and publicised their availability on the home page of the website.
- The improvement section of the website contains current information about improvement objectives but did not include my Annual Improvement Report published in January 2011 until October 2011 thereby presenting only a partial picture of the performance of the Council during this period.
- Actions associated with the delivery of the improvement objective 'to tackle those issues that matter most to local people, with customer focus at the heart of the Council's service delivery' do not explain how the planned action addresses issues raised by local people.

Looking forward the Council is likely to face a potential difficulty in fully meeting its section 15 responsibility to assess its performance because my audit and assessment work has found that:

- limited progress has been made in the development of outcome measures that enable the Council to identify the impact of its activity for the community and service users.

## **Progress on the areas for improvement identified in the 2010 assessment**

The Preliminary Corporate Assessment, published in September 2010, said that 'strong leadership and management are contributing to improvements in key areas but the strategic vision is not yet supported by delivery plans that reflect new resource constraints'. The report made four proposals for improvement, one identifying the need to clarify priorities in the context of resources available, two which related to the need to further develop service plans to include outcome measures and a fourth relating to ICT. Limited progress has been made in respect of two of my four proposals for improvement as summarised below and described in more detail in Appendix 1.

- The Council has continued to align service activity with budget availability but service plans still lack sufficient information about the financial, staff and other resources required to deliver proposed actions.
- The Council has incorporated some outcome focussed measures in its 2011-2012 service plans, but my review of a sample of service plans and of the report to Cabinet in May 2011 and reports to scrutiny meetings in July identifies the need for more consistent inclusion of outcome measures to enable assessment of the impact of action. Performance reporting arrangements remain largely unchanged since I reviewed them last year.
- I am in the process of reviewing arrangements for ICT and will report in more detail on completion of the review.

### **Emerging issues**

Last year a number of common areas for further improvement emerged from my improvement assessments across local government. Some of my work in these areas is being undertaken later in the year and I will provide feedback as these studies are completed.

### **The Council is well placed to address its financial challenges**

The Council continues to demonstrate strong and accountable financial leadership. The Council is clear about the financial challenges it faces and has developed a savings strategy to meet the anticipated reduction in funding.

My review of medium-term financial planning has concluded that the Council continues to improve the alignment of its financial planning with its service delivery programme although service plans still need to strengthen links between intended actions and the resources required. I consider that the Council's approach displays the essential characteristics of sound strategic financial management.

The Council has identified that savings totalling £7.24 million are required in 2011-12, and that over the three-year period 2011-12 to 2013-14 a shortfall of £17.83 million will need to be covered. The total includes £12.62 million in respect of non-school savings, and the budget process for 2011-12 identified £9.3 million of savings, with work continuing across the Council's directorates to identify the remaining amount.

### **Further proposals for improvement/recommendations**

Some of the areas for improvement I identified in my Preliminary Corporate Assessment and Annual Improvement Report remain relevant to my conclusions in this Corporate Assessment Update. I identified the need for development of outcome focussed measures as an area for improvement at many Welsh councils, I recognise the challenge this presents but would emphasise the need for a clear approach to this challenge and make the following proposal for improvement in the context of our recent discussion..

#### **Exhibit 1: Proposal for improvement**

R1	Establish a transparent programme for the development of outcome focussed measures moving from reporting arrangements that focus primarily on performance indicators and on the completion, or otherwise, of an action.
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#### **Updates to the work plan and timetable**

My Improvement Assessment team will keep the Council informed of the detailed arrangements for the delivery of my Annual Improvement Report later in the year. The 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 jointly identified areas or services. The work plan and timetable takes account of my response to the consultation over my proposals for 2011-12 performance audit work. I will also be asking the Improvement Assessment Team to consider the reliance that can be placed upon the Council's self-assessment processes (including the Annual Governance Statement and the Council's Annual Performance Report). I will comment on this approach in my Annual Improvement Report.

I am 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. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas'.

**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**

CC to: Carl Sargeant, Minister for Local Government and Communities

Councillor Gordon Kemp, Leader, Vale of Glamorgan Council

Steve Barry, Improvement Assessment Lead, Wales Audit Office

Janet Villars, Improvement Assessment Co-ordinator, Wales Audit Office

John Golding, Partner, Grant Thornton UK LLP

## Appendix 1

### Additional information on progress on proposals made in the Preliminary Corporate Assessment September 2010

Proposals for improvement	Progress
<p>Set clear priorities for action in the context of reduced resource availability.</p>	<p>The Council continues to demonstrate strong and accountable financial leadership. The Leader, Deputy Leader, the Chief Executive and the Director of Finance, ICT and Property operate as the Council's Budget Working Group and provide clear financial direction. The Council's overarching objective is to continue to provide all the services that it has done in the past, but to provide them more efficiently. Cuts in services to end users are considered to be a last resort. In formulating the budget, discussion and dialogue take place between the finance department and other departments of the Council to ensure that as many as possible of the Council's 'aspirational' objectives are achievable. The Council's highly structured system of corporate performance reporting ensures that effective links can be made between corporate plans (including the Medium Term Financial Plan), service delivery, performance targets and operating finances.</p> <p>My review of medium term financial planning has concluded that the Council continues to align its financial planning with its service delivery programme, and that the Council's approach displays the essential characteristics of sound strategic financial management.</p> <p>A number of new ways of working are being introduced to improve service outcomes and save money. The efficiencies agenda has been met and exceeded in recent years, helped by the management culture of financial awareness. The service planning process and other briefing mechanisms help to ensure service heads, managers and staff are all aware of the financial challenges they face. As well as having a system of devolved accountants able to provide financial advice to those working in service departments, a number of key second tier officers in service departments are CIPFA qualified. Courses on finance for non-financial managers have also been delivered.</p>

Proposals for improvement	Progress
<p>Set clear priorities for action in the context of reduced resource availability.</p>	<p>A solid analytical approach has been adopted so that the Council can make choices and specify its priorities within the resources it has available. A three-year Medium Term Financial Plan is produced annually, and has been for the last eight years. Two such plans will be produced in 2011-12 as the timing of the publication is switched from the summer to January so that it can directly inform the budget making process. The plans are well written and present financial issues in a way that is likely to be accessible and understood by those who are not financial experts.</p> <p>Financial information underpins decision making, and financial decision making is based on comprehensive financial information. Members review the Council's financial performance on a regular basis. Budget holders can speak to their accountants, and finance reports can be tailored to match their needs in terms of presentation style and timing/frequency. Revenue and capital monitoring reports for each Directorate are presented to the relevant Scrutiny Committee on a monthly basis. These are then assembled together in an overall report to Cabinet.</p> <p>The Council can manage many of the changing circumstances and most of the risks it faces. The Council's Corporate Risk Management Group is chaired by an assistant Director of Finance. The Group has links to the service planning process and separately identifies financial risks that are specific to particular services or are risks 'across the board'. As far as risks can be identified (such as inflation and reduced income) these are taken on board and built into financial planning. Reputational risk is also considered.</p>

Proposals for improvement	Progress
<p>Set clear priorities for action in the context of reduced resource availability.</p>	<p>I reviewed a sample of two 2011-12 service business plans (Visible Services and Public Protection) to check the extent to which impact on citizens is specified, and a third (Customer Relations) to check connections with other corporate planning documents.</p> <p>Although the first two plans focus on directional improvement for citizens, in my view they do not clearly describe intended outcomes for citizens and service users in anything other than very general terms. There are few tangible targets, and some of the success criteria are expressed using the same, or very similar, wording as the corporate improvement objective itself.</p> <p>For example, the Visible Services plan includes clear success criteria for citizens and service users such as:</p> <ul style="list-style-type: none"><li>• A74 'increased opportunities for play, sporting and cultural activities for the Vale's children and young people';</li><li>• A75 (allotments) 'maximised community participation in allotment gardening as a leisure, recreational, social, lifelong learning and health activity'; and</li><li>• A76 (car parking) 'increased public awareness of car parks and charges'.</li></ul>



Proposals for improvement	Progress
<p>Set outcome measures that enable the Council to identify the impact of its activity for the community and service users.</p> <p>Ensure service business plans incorporate realistic estimates of financial, staff and other resources required to deliver proposed actions.</p>	<p>However, there are very few targets or numerical indicators listed in this plan. It is not possible within the plan to find out:</p> <ul style="list-style-type: none"> <li>• how many children and young people currently use playgrounds in the Vale, and how many others might realistically be attracted to them;</li> <li>• how many allotments there are, what the take-up is, whether there is a waiting list, and how allotment users say they benefit from having an allotment; or</li> <li>• the extent to which car park charges are rising, and which residents and visitors these increases will most affect.</li> </ul> <p>Corporate Improvement Objectives have replaced Service Objectives in two of the three service plans reviewed for 2011-12, but Service Objectives have been retained alongside Corporate Improvement Objectives and Cross-Cutting Objectives in the public protection plan. In the Visible Services plan, although staff resourcing is included, other non-staff MTFP connections are not clearly made. There is potential to be more explicit when non-staff resources are needed to help deliver services.</p>
<p>Establish corporate arrangements for the funding, refreshment and development of all ICT.</p>	<p>Work is in progress, awaiting response to questionnaires provided to officers and to finalise interview dates.</p>