

CABINET MEETING: 21 MARCH 2016

**WALES AUDIT OFFICE CORPORATE ASSESSMENT FOLLOW
ON REPORT – STATEMENT OF ACTION**

REPORT OF THE CHIEF EXECUTIVE

AGENDA ITEM: 2

PORTFOLIO: LEADER (ECONOMIC DEVELOPMENT AND PARTNERSHIPS)

Reason for this Report

1. To enable the Cabinet to consider a proposed Statement of Action in response to the recommendations made in the Wales Audit Office Corporate Assessment Follow On report of the City of Cardiff Council.

Background

2. The Auditor General for Wales must report on an annual basis on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. In addition, the Auditor General must conduct a Corporate Assessment of every local authority in Wales once every 4 years. The Auditor General for Wales has powers to:
 - make proposals for improvement;
 - make formal recommendations for improvement;
 - conduct a special inspection and publish a report and make recommendations;
 - recommend to Ministers of the Welsh Government that they intervene in some way.
3. In March 2014, the Wales Audit Office undertook a Corporate Assessment of the Council which sought to assess if the Council was capable of delivering its priorities and improved outcomes for citizens. This assessment, which focused on performance in 2013/14, entailed reviews of key documents, interviews with Members and officers, focus groups, and observation at a broad range of meetings. The assessment also drew on the work of other Welsh inspectorates, such as CSSIW and Estyn.
4. On 1 September 2014, the Wales Audit Office published its findings in the form of a Corporate Assessment report, which was received formally by the Cabinet on 18 September 2014.

5. This report provided a critical assessment of the Council's performance. In summary, it concluded that:

"Fragmented leadership and management have meant that weak performance in key service areas has not improved".

6. In addition, the report identified a series of shortcomings, encompassing leadership behaviours, performance management, basic governance processes, and core organisational systems. The report echoed the critique of the previous Welsh Local Government Association- (WLGA-) led Corporate Peer Review, which concluded that an 'overhaul of the "business machine" of the Council' was required.
7. In May 2014 the Cabinet established a comprehensive Organisational Development Programme (ODP) which was designed to reshape the Council in response to a range of critical challenges, including the marked deterioration of the Council's financial position, demand-led pressures on services, and the inadequate performance of a number of statutory services.
8. The ODP brought together the key change projects that will help deliver more efficient council services and improve performance outcomes. The scope and scale of the programme reflected the absolute requirement for the Council to continue to move rapidly to new models service delivery that enables the effective management of current and future demand with vastly reduced resources. In doing so, it sought to address issues identified by the Welsh Local Government Association (WLGA)-led Corporate Peer Review and anticipated many of the observations of the Wales Audit Office's Corporate Assessment.
9. As a result, the Wales Audit Office report of September 2014 made one proposal for improvement:

"The Council ensures the implementation of its Organisation Development Plan resolves the range of issues identified in this assessment".

The report also committed the Wales Audit Office to carry out a follow-up visit in 2015 to determine whether the issues identified in the Corporate Assessment report had been satisfactorily resolved.

10. In July 2015, the Council's Organisational Development Programme was re-orientated to focus on a smaller number of priorities, and to ensure that the Council's transition to new ways of working proceeded at pace. It was also framed as the central component of the 'Make the Difference' staff engagement campaign to secure staff ownership of the drive to improve the organisation.
11. A follow-on visit to assess progress was undertaken by the Wales Audit Office in September 2015. In addition, two 'tracer reviews' were undertaken prior to the visit, which examined the decision making processes in relation to revisions to the Council's leisure services and its progress in taking forward alternative delivery models, and to revisions to the Council's waste strategy and associated arrangements.

12. The Wales Audit Office published its Corporate Assessment Follow On report on 26 February 2016. The report was received formally by the Cabinet on the 10 March 2016 and was considered by the Council's Policy Review and Performance Scrutiny Committee on 8 March 2016. It is also due to be considered by the Council's Audit Committee on 22 March 2016.

Issues

Report Findings

13. The Follow-On report concludes that:

"The Council has put in place better arrangements to support improvement and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes."

14. The Wales Audit Office (WAO) reached this conclusion on the basis that:

"overall, the Council has responded positively to the Corporate Assessment findings, and put better arrangements in place to support improvement and address longstanding issues; and

the Council is now at a critical point in ensuring that improved arrangements are embedded and implemented consistently and constructively across the organisation in order to achieve a step change in delivering improved outcomes."

15. The report also identifies improved arrangements in financial planning, HR management, performance management, asset management, IT, and governance with the latter helping to promote a better culture of accountability and risk management.
16. The WAO report references the Estyn conclusion that overall, improvements in partnership working are contributing to better outcomes in schools, with key statutory performance indicators improving. However, the report notes, the Council has been less effective in working with partners to reduce exclusions and increase the proportion of young people who are engaged in education, employment or training.
17. The report also references the CSSIW Annual Review and Evaluation of the Council's Performance 2014-2015 in October 2015 which reported that:
 - a. *The director for social services presents a clear picture of the challenges and areas of progress made within the directorate over the past year. The director also sets clear aims to deliver improvements over the coming year.*

b. The Council is undertaking a strategic overview of services which is enabling the Council to begin to plan for changes within the department.

18. The report contains one statutory recommendation and 14 proposals for improvement, which relate specifically to the following key areas:
- leadership & management;
 - governance;
 - performance reporting; and
 - corporate enablers (including human resources, use of assets, financial planning processes; IT arrangements and information governance arrangements).
19. The single recommendation of the Wales Audit Office is that the Council must ensure that it addresses these proposals for improvement to deliver improved outcomes within the next 12 months.

Achieving the Step Change: the Council's Response

20. The Council strongly welcomes the WAO's assessment of progress over the last two years.
21. Organisational development work has focused on addressing fundamental issues: for example, setting the Council's strategic direction for the next three years; improving the governance of the organisation; reshaping council services to reflect severe financial pressures; placing alternative delivery mechanisms clearly on the Council's agenda; developing and implementing strategies for key corporate enablers, such as technology, land and property; bringing about a step change in staff engagement; and accelerating improvement in key services, such as education and social services.
22. While progress has been made, it is important to ensure that momentum is maintained. A comprehensive review of the ODP is being undertaken with a view to ensuring that key projects and initiatives reinforce the need to achieve a step change in delivering improved outcomes for citizens. Specifically, the review will:
- Provide an update on the Programme and map out the next steps for key projects and initiatives that are essential to improving the Council's financial resilience and service delivery performance in the medium term;
 - Ensure all projects within the ODP have effective financial and performance management plans and measures in place; and
 - Ensure that saving plans included in the medium term financial plan are directly linked to the ODP.
23. This will further reinforce the Council's ability to respond positively to the WAO's Proposals for Improvement. In this context, a brief overview of the areas highlighted by the WAO makes clear the extent to which there remains scope for improvement.

Leadership and Management

24. The report recognises that the Council's leadership and management have improved the culture of the organisation by promoting better engagement with members and staff and encouraging greater openness and self-awareness of the Council's weaknesses and strengths.
25. The recent staff and members' survey results highlight the potential for further engagement opportunities to be rolled out in the next twelve months.
26. In terms of staff, this will involve the roll out of the programme for engagement for 2016/17 with a strong emphasis on increased activity at directorate and team levels. Senior management roadshows; 'Have Your Say' sessions; back to the floor meetings for managers; staff briefings; and the Make the Difference social media campaign will continue to raise the profile of staff engagement and provide staff with a platform for engaging with management about the key issues facing the Council.
27. In terms of members, feedback from a survey conducted by the Communications team is being used to focus improvements in priority areas, such as the dedicated intranet pages, consolidated weekly updates and improving technology. This improvement will inform a continued programme of engagement with members for the next 12 months.

Governance

28. While the WAO acknowledges improvements to the governance of the Council, further steps will include a review of roles and responsibilities to ensure clear accountabilities in decision-making, a strengthening of the Member Development programme, a review of member support arrangements, and work between the Cabinet and scrutiny to further develop the Council's use of cross-cutting scrutiny. The work plan of the Standards and Ethics Committee includes actions to raise proactively the profile of the Cardiff Undertaking for Councillors and a concerted strategy to highlight the importance of appropriate Member conduct and behaviour.

Performance Reporting

29. While acknowledging the progress made, the application of performance management systems remains inconsistent across the Council with greater challenge and rigour yet to translate consistently into improved outcomes for citizens.
30. The Council recognises that the strengthening of performance reporting arrangements is of fundamental importance. Draft directorate delivery plans will be reviewed and challenged where it is considered that there are not enough SMART performance measures. Steps will be taken to standardise service planning arrangements, with a consistent approach being taken to the use of a balanced scorecard methodology across the Council.

31. More widely, the recommendations of the WAO report set a clear agenda for performance management-related initiatives that the Council needs to implement in the first three quarters of 2016/17. However, the implementation of these initiatives should not be seen in isolation from the wider needs of the organisation. In summary, there needs to be an integrated approach to the way in which the Council manages performance that recognises the interdependence of a variety of service management data.

Corporate Enablers

32. While recognising that the Council's corporate enabler functions have been strengthened the report finds that they are not yet working in a sufficiently cohesive way to provide the necessary strong core of support and challenge to help the Council drive service improvement.
33. The aim is therefore to adopt a joined up approach to financial and non-financial service performance, including the triangulation of budgetary, contract and cost driver information, with managers understanding the importance of managing this information in a proactive way to ensure services are effective, efficient and on track to meet the Council's strategic objectives.
34. This will require a much greater level of coordination between corporate support services, including the improvement and information governance teams, HR, finance, estates and ICT. In addition, the wider performance management community of the Council, including managers and directorate performance management leads, need to be working collaboratively in accordance with a clearly defined Cardiff approach to performance management.
35. With this in mind, the Performance Management Strategy of the Council will be reviewed and refreshed to ensure clarity around the Council's current processes for measuring, reporting and using performance information. Guidance on Personal Performance and Development Reviews (PPDRs) will also be strengthened with an emphasis on behaviours, as well as the achievement of objectives, and a strong emphasis on managers and supervisors conducting appropriate and supportive conversations with staff on a regular basis.
36. The revised Performance Management Strategy will be launched proactively to staff and will form a core theme of forthcoming staff engagement activity.

Next Steps

37. The Council will address as a matter of urgency the points identified by the WAO.
38. In response to the Corporate Assessment Follow On report, the Council must prepare a statement of action and proposed timetable within 30 days. The proposed Statement of Action is attached as **Appendix A** to this report.

39. Furthermore, the Council's Organisational Development Programme work will be reviewed and reshaped towards addressing the proposals for improvement contained within the WAO report. A report on this issue will be brought forward for consideration by the Cabinet in June 2016.

Reason for Recommendations

40. To enable the Cabinet to respond to the Wales Audit Office Corporate Assessment Follow On report within 30 days.

Financial Implications

41. There are no direct financial implications arising from this report. Any resource requirements resulting from the implementation of improvement actions will be found from within existing budgets.

Legal Implications

42. Relevant legal implications, deriving from the Local Government (Wales) Measure 2009, are referred to in the text of this report.

RECOMMENDATION

Cabinet is recommended to approve the Statement of Action in response to the recommendations made in the Wales Audit Office Corporate Assessment Follow On report.

PAUL ORDERS

Chief Executive
15 March 2016

The following appendix is attached:

Appendix A – Statement of Action

The following background paper has been taken into account:

Wales Audit Office Corporate Assessment Follow On Report, 26 February 2016
<http://www.audit.wales/system/files/publications/Cardiff-CA-2016-English.pdf>