
**WALES AUDIT OFFICE ANNUAL LETTER AND ANNUAL IMPROVEMENT
REPORT**

Reason for the Report

1. To present the Wales Audit Office's (WAO) Annual Letter and Annual Improvement Report. Attached at **Appendix 1**, Members will find a copy of the Cabinet report from 10 October to which both assessments are appended.
2. These documents set out the views of the Auditor General in terms of how the Council is fulfilling its improvement duties. Usually the Policy Review and Performance Scrutiny Committee considers the WAO's Annual Improvement report in March; this year the Annual Report and the Annual Letter have both been published in September. Members may like to note that the WAO Annual Improvement Report covers the Council's performance for the 2011/12 financial year and improvement planning for 2012/13, while the Annual Letter gives an opinion on current arrangements.

Background

3. Under the Local Government (Wales) Measure, the Auditor General must report each year on how well councils are planning for improvement and delivering their services. The Auditor General has a number of options where he feels that councils could improve:
 - Recommending the Welsh Government Ministers intervene;
 - Conducting a special inspection and publishing detailed recommendations;
 - Making formal recommendations for improvement to which a council must respond within 30 days;

- Making proposals for improvement, upon which a Council would be expected to act. The WAO's Annual Improvement Report and Annual Letter make several proposals for improvement for Cardiff Council.

Issues - WAO Annual Improvement report (assessment of 2011/12 performance and planning for improvement in 2012/13)

4. Although the Council published a report of its performance in 2011/12¹, the WAO assesses that the Council did not fully evaluate its performance and could have acted more in line with Welsh Government guidance:

- It did not provide a full evaluation of performance against objectives and did not provide comparative performance data. This is an issue which this Committee has questioned on several occasions;
- The report did not clearly demonstrate outcomes for citizens;
- Although performance indicators were presented, the associated commentary did not always provide an accurate assessment of performance;
- Adoption of broad improvement outcomes made reporting improvement in a concise manner difficult;
- The report was not easily accessible other than being placed on the Council's website.

5. In terms of performance in 2011/12, the WAO Annual Report notes:

- That the Council delivered against some improvement objectives (e.g. in neighbourhood management and highways maintenance);
- Estyn and Care and Social Service Inspectorate Wales reviews have noted ongoing weaknesses in education and adult social services.

¹ Cardiff Council Annual Improvement Report 2011/12, approved by the Cabinet on 18 October 2012 and Full Council on 25 October 2012. The report is currently available on the Council's website at: http://www.cardiff.gov.uk/ObjView.asp?Object_ID=24267&language=

A copy of the 2012/13 Cardiff Council Annual Improvement report can be found with Cabinet papers for 10 October 2013:

[http://www.cardiff.gov.uk/content.asp?id=2292&\\$state=calendarmeeting&\\$committeeID=12950&\\$meetingdate=10/10/2013&\\$eventrec=7041](http://www.cardiff.gov.uk/content.asp?id=2292&$state=calendarmeeting&$committeeID=12950&$meetingdate=10/10/2013&$eventrec=7041)

It will be presented to Full Council for approval on 24 October 2013, in order to meet the 31 October 2013 statutory deadline for publication.

6. The Report also notes that:

- The Council has a good track record of managing its budget, but faces difficult decisions to address its anticipated funding gap in future years;
 - Slippage in the capital programme continues to be an issue, largely due to slippage with the Cardiff Enterprise Zone;
 - There is an inconsistent approach to acting on the findings of external and internal (e.g. scrutiny) review;
 - Managers have been appointed to the new senior management structure, but the scale of change in recent years means that improvement and service business plans are not clearly aligned with corporate priorities.
- When this Committee considered proposals for the new senior management structure in September 2012, Members were unanimous in their concern that the proposals represented too much change too quickly and recommended a phased approach in order to minimise disruption.

7. With regards to activity in 2012/13, the Report determines that:

- The new Administration has begun to deliver important internal changes, but the pace of change in key areas has slowed because of its focus on new priorities and senior management restructuring;
- The Council has failed to achieve some key intended improvements, including the embedding of robust asset management arrangements. The WAO comments that 'the Council had been making slow but steady progress in developing its asset management arrangements but progress has stalled over the past two years and arrangements are not ensuring best use of resources'. Members will recall that the Committee has on several occasions pressed for sight of the final Review of Non-Operational Property, having discussed draft findings with officers at its 17 April 2013 meeting. This Review, as well as the 2013/14 Corporate Asset Management Plan, is currently on the Committee's work programme for its 29 October 2013 meeting, prior to consideration by the Cabinet on 7 November 2013. Both reports have slipped several times on the Cabinet Forward Plan in recent months;

- Performance management systems do not enable the Council to fully evaluate its activities;
- Action on sickness absence levels appears to have resulted in limited improvement. The effectiveness of this action is therefore called into question. This Committee has scheduled a review of the effectiveness of the new Attendance and Wellbeing Policy for its 4 March 2014 meeting.

8. As a result of its assessments, the Report makes several Proposals for Improvement which can be found at page 6 of the Annual Improvement Report attached at Appendix B of Appendix 1 to this report. These include the need to establish clear improvement priorities for 2013/14; the need to improve performance reporting and the need to develop performance management arrangements.

Issues - WAO Annual Letter (assessment of current arrangements)

9. The Auditor General sent his Annual Improvement Assessment Letter to the Interim Head of Paid Service on 16 September 2013, setting out his evaluation of current arrangements. These are largely based on the Council's 2013/17 Corporate Plan.

10. The Letter states that the Council has partially discharged its duties by publishing its Corporate Plan, but its improvement objectives are unclear and the absence of robust measures will make it difficult for the Council to fully evaluate its performance. It is assessed that the Corporate Plan contains a wide range of proposed activities, which makes it difficult to identify the Council's improvement actions for 2013/14.

11. The Letter states that many actions and milestones contained within the Corporate Plan's Delivery Plan are not accompanied by clearly defined measures of success. Members will recall that when the Committee considered the draft Corporate Plan in February 2013, Members commented that the milestones contained within the Plan were 'inconsistent' and 'often intangible to the extent that it may be difficult to judge how well the Council is delivering against its

chosen themes'² and that in particular milestones for the later years of the Plan period should be more clearly defined. The Leader's response was that the Delivery Plan should be considered a 'live' document and would evolve to take on board the Committee's comments as well as those of the Wales Audit Office once received.

12. As a result of this assessment, the Auditor General includes a proposal for improvement, requesting that the Council sets its improvement priorities for 2013/14 urgently.

13. The Cardiff Council Annual Improvement report being presented to Cabinet on 10 October 2013³ includes the proposal to set the following Improvement Objectives for 2013/14:

- Decrease the number of young people Not in Education, Employment or Training
- Improve Educational Outcomes
- Increase School Attendance
- Increase independence by providing aids and adaptations to homes
- Help people to make positive choices about the affordability of their accommodation
- Establish Cardiff as a Digital City
- Increase the number and quality of jobs in the city economy.

14. The Auditor General also states his intention to postpone the WAO's Corporate Assessment of the Council from October 2013 to February 2014 as 'the nature of the challenges faced, together with the recent arrival of the new senior leadership

² Letter, Chair of Policy Review and Performance Scrutiny Committee to Councillor Heather Joyce, Leader, dated 21st February 2013, regarding draft Budget Proposals and draft Corporate Plan. A copy of this letter and the Leader's response can be viewed on the Council's website with the Committee's Correspondence papers:
[http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&\\$state=calendarmeeting&\\$committeeID=1432&\\$meetingdate=06/03/2013](http://www.cardiff.gov.uk/content.asp?nav=2872%2C3250%2C4875&id=&parent_directory_id=2865&textonly=&language=&$state=calendarmeeting&$committeeID=1432&$meetingdate=06/03/2013)

³ Available on the Council's website at:
[http://www.cardiff.gov.uk/content.asp?id=2292&\\$state=calendarmeeting&\\$committeeID=12950&\\$meetingdate=10/10/2013&\\$eventrec=7041](http://www.cardiff.gov.uk/content.asp?id=2292&$state=calendarmeeting&$committeeID=12950&$meetingdate=10/10/2013&$eventrec=7041)

team, leads [him] to believe that findings in October will not be significantly different to [his] current knowledge'. He also states that he will take on board the results of the WLGA Peer Review (which will be considered by this Committee at Agenda Item 4) and may make further recommendations as a result.

Way Forward

15. Steve Barry, Improvement Assessment Lead from the Wales Audit Office, will be in attendance at the meeting.

16. Councillor Ralph Cook, Deputy Leader; Christine Salter, Interim Head of Paid Service; Mike Davies, Head of Performance and Improvement; and Vivienne Pearson, Operational Manager – Improvement and Information, will be in attendance to answer any questions Members may have.

Legal Implications

17. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

18. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial

implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to

- i. Consider the Annual Improvement Report and the Annual Improvement Letter and whether it wishes to relay any comments or concerns to the Cabinet;
- ii. Consider whether it wishes to include any of the issues highlighted in these papers in the Committee's 2013/14 work programme.

MARIE ROSENTHAL

County Clerk and Monitoring Officer (Democratic Services)

9 October 2013

Background papers:

Cardiff Council Annual Improvement Report 2011/12 (available at:

http://www.cardiff.gov.uk/content.asp?nav=2872,3250,5096&parent_directory_id=2865)

Cardiff Council Corporate Plan 2013/17 (available at:

http://www.cardiff.gov.uk/content.asp?nav=2872,3250,4340&parent_directory_id=2865)

Cabinet report - Cardiff Council Annual Improvement Report (2012/13) (available at:

[http://www.cardiff.gov.uk/content.asp?id=2292&\\$state=calendarmeeting&\\$committeeID=12950&\\$meetingdate=10/10/2013&\\$eventrec=7041](http://www.cardiff.gov.uk/content.asp?id=2292&$state=calendarmeeting&$committeeID=12950&$meetingdate=10/10/2013&$eventrec=7041))

CABINET MEETING: 10 OCTOBER 2013

**THE AUDITOR GENERAL FOR WALES ANNUAL
LETTER & WALES AUDIT OFFICE ANNUAL
IMPROVEMENT REPORT OF CARDIFF COUNCIL**

REPORT OF INTERIM HEAD OF PAID SERVICE

AGENDA ITEM: 3

PORTFOLIO: DEPUTY LEADER

Reason for this Report

1. The Auditor General for Wales is required to provide an independent view of the arrangements that the Council puts in place to manage the performance of the Council. This is discharged through the production of the Auditor General for Wales Annual Letter and the Wales Audit Office (WAO) Annual Improvement Report

Background

2. The Local Government (Wales) Measure 2009 and the associated Wales Programme for Improvement Guidance – Part 1 Local Government Improvement sets out the responsibilities and obligations that the Council has to meet around the key areas of:-
 - Integrating Strategy and Delivery
 - Improvement
 - Improvement Information
 - Collaboration
 - Accounting for Improvement
3. The duties of the WAO and the Auditor General for Wales in terms of Assessment, Regulation and Inspection are also outlined in this document. These duties include the production of an Annual Improvement Report conducted under section 18 of the Measure and an Annual Letter.
4. The Auditor General for Wales has determined that this year he will discharge his obligations under the Measure by providing one document. However, for clarity, the Auditor General for Wales Annual Letter (Appendix A), provides an opinion of our current arrangements and his confidence in these arrangements going forward; whilst the Wales Audit

Office Annual Improvement Report, (Appendix B), sets out the assessment of the Council's historic performance for the financial year 2011/12, and our planning for improvement for 2012/13.

5. Mr Steve Barry, the Wales Audit Office Manager- Local Government South Region, will be in attendance to outline the Auditor General's findings and Proposals for Improvement.

Reasons for Recommendation

6. The WAO Annual Improvement Report part of the statutory framework of the Local Government (Wales) Measure 2009 and the associated Wales Programme for Improvement Guidance

Legal Implications

7. There are no direct legal implications arising from this report.

Financial Implications

8. There are no direct financial implications arising from this report.

RECOMMENDATION

The Cabinet is recommended to note the Proposals for Improvement and the Auditor General's opinion contained in the attached Appendices.

CHRISTINE SALTER

Interim Head of Paid Service
4 October 2013

The following appendices are attached:-

Appendix A – Auditor General for Wales Annual Letter
Appendix B – Wales Audit Office Annual Report of Cardiff Council (2011/12)



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C Salter
Interim Chief Executive
Cardiff Council
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Reference	440A2013
Date	16 September 2013
Pages	1 of 5

Dear Christine,

Improvement Assessment

I am required under the Local Government (Wales) Measure 2009 (the Measure) to report my audit and assessment work in relation to whether Cardiff Council (the Council) has discharged its duties and met the requirements of the Measure.

This letter identifies scope for further improvement in the way in which the Council has sought to discharge its duties under the Measure.. I recognise that the new Council has been in a period of transition during the past year, with wholesale changes to the senior management structure and more recent changes at Cabinet level. I am also aware that the Cabinet commissioned the Welsh Local Government Association (WLGA) to undertake a Peer Review and I shall evaluate the effectiveness of the Council's response to that review and the findings of my own work before providing my opinion of the governance arrangements intended to support delivery of improvement. I understand that the Council is awaiting the Peer Review draft report and ask that you provide a copy as soon as it becomes available. I may include further recommendations having considered their findings.

I include a proposal for improvement about the need to urgently set clear improvement priorities for 2013-14. I understand that the Council has recognised the need to clarify its priorities for the current year and that Cabinet will be identifying its improvement objectives for 2013-14 at its October meeting. For ease of reference I also include my proposals for improvement of performance reporting arrangements which remain relevant to the current situation.

I am including my Annual Improvement Report (AIR) about the Council as an appendix to this letter and propose to publish this letter and the AIR as a single document. The AIR provides further contextual information and illustrates that whilst the Council is able to show improvement in certain areas of service, there remain important areas where limited progress has been made in recent years. This correspondence and the AIR will need to be considered in conjunction with the WLGA Peer Review as well as feedback from other regulators such as Estyn and CSSIW when the Council develops its plans for improvement in the coming months.

In October, I had planned to undertake a full corporate assessment at the Council. However, I now intend to postpone my assessment until February 2014. The nature of the challenges faced, together with the recent arrival of the new senior leadership team, leads me to believe that findings in October for key aspects of the corporate assessment will not be significantly different to my current knowledge. Rather than undertake an exercise that would provide no fresh insight I have instructed my local team to collate existing knowledge and provide feedback to the Council to enable it to incorporate appropriate action in its planning. This exercise will identify any areas where a local review will need to be undertaken in the coming months to fill any knowledge gaps. The Council will need time to develop realistic plans for improvement so I will monitor the development of such plans and will bring my corporate assessment to a conclusion in the first quarter of 2014.

With regard to the Council's specific duties under the Measure to set objectives ('improvement objectives') for improving the exercise of its functions in 2013-14, and to make arrangements to secure achievement of its improvement objectives, my findings are as follows:

The Council has partially discharged its improvement planning duties under the Measure by early publication of its Corporate Plan, but improvement objectives are unclear and the absence of robust measures will make it difficult for the Council to fully evaluate its performance

The Council complied with guidance by publishing its Corporate Plan at the beginning of the financial year

In February 2013, the Council's Corporate Plan was adopted and published on the website in April 2013. The format of the plan has been revised to incorporate delivery plans linked to broad commitments and statements by individual Cabinet members. The Delivery Plan sets out further details of proposed action including milestones for each objective. The revised approach identifies five 'themes', and also groups activities under Cabinet portfolios. This has the potential to strengthen accountability for improvement, but limitations described in the following paragraphs need to be addressed to ensure intentions materialise.

The Council is not fully meeting Welsh Government guidance because the Corporate Plan includes a wide range of proposed activities making it difficult to identify the improvement objectives for 2013-14

Whilst the five themes provide a point of reference, they are broad. Given known financial constraints they do not provide sufficient clarity about specific objectives and what the Council intends to prioritise during 2013-14.

The Corporate Plan and supporting Delivery Plan lists more than 100 proposed activities against the five themes together with 20 proposed milestones/commitments. Many of the proposed activities refer to preparing or developing plans; implementing or delivering plans or strategies; or describe the day-to-day business of the Council such as delivering the Local Development Plan, ensuring high standards of food safety, and ensuring council homes are not misused.

The actual improvement sought as a result of these activities is not clearly described nor are relative priorities indicated. The 20 'milestones/commitments' provide a group of statements that also lack a description of the intended improvement that will result if they are achieved.

Welsh Government guidance recognises that it is for councils to decide upon the number of improvement objectives set. However, some 'objectives' in the Corporate Plan fail to meet guidance either because they are too broad and aspirational, for example, 'creating safer communities' or because they are too narrow or operational, for example, 'deliver a portfolio of events across the city'.

The inclusion of 'day-to-day' activity and unspecific statements fails to recognise Welsh Government guidance and the high number of activities makes identification of the Council's priorities for improvement in 2013-14 unclear.

The absence of clear and measurable targets means the Council will be unable to fully evaluate its performance

Milestones are contained in the Delivery Plan but whilst some actions/milestones are clear and have measurable targets, many are not accompanied by clearly defined measures of success. Where portfolio performance indicator baskets are listed, they are generic to the portfolio area. They also do not include details of intended outcomes or targets and are not explicitly linked to the specific improvement actions contained within the Delivery Plan. Further information about how the delivery of improvement priorities will be demonstrated is needed. This might include recognition of the limitations of existing information and how the Council plans to bridge any information gaps.

Consultation and engagement arrangements are only partially explained

The availability of the plan has been communicated to stakeholders on the Council's website and by a notice being placed on the Council's Twitter feed when the plan was agreed by Council. The Council should also make it clearer that the plan is available in alternative formats on request. The plan explains how consultation responses have informed some of the 'commitments'/'objectives' including details of responses received, and there is a summary of the consultation activity and other sources that have informed the plan. The plan could more specifically outline the links between consultation results and the prioritisation of improvement objectives, including the selection of the five 'themes'. The Council should also include an explanation about how the specific groups recommended in statutory guidance have been consulted before setting improvement objectives and how communities or stakeholders can propose new improvement objectives throughout the year.

It is clear that the Council faces a range of challenges if it is to successfully address the matters identified in this letter, in my AIR and the results of the Peer Review. My team will work closely with the Council in the coming weeks and develop a timetabled programme of work to assess the effectiveness of the Council's response. This will inform my decision about the timing and nature of my examination of corporate arrangements.

Proposals for improvement

- P1 Establish clear improvement priorities for 2013-14 by November 2013, identifying more explicitly the specific improvement sought during the year to enable more focused reporting of outcomes.
- P2 Improve performance reporting as required by the Measure, by:
- providing a full evaluation of performance against improvement objectives for the year in question;
 - providing comparative information, showing results compared to the Wales average where available, and with similar bodies for particular aspects of performance where relevant;
 - ensuring data presented is relevant to demonstrating achievements in relation to the particular objective and is clearly explained; and
 - adopting publication arrangements that ensure the Council's annual report of its performance is easily accessible to its citizens and other stakeholders.

- P3 Develop performance management arrangements so that:
- corporate improvement priorities and timescales for delivery are clear and appropriate measures are put in place to evaluate progress;
 - service business plans are aligned with new structures and indicate the delivery associated with achievement of corporate improvement priorities as well as 'day-to-day' operations;
 - a consistent approach is adopted to addressing opportunities for improvement identified by internal and external reviews and monitoring delivery; and
 - reporting arrangements are further refined to enable indication of the outcomes/benefits achieved as a result of activity.

HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Lesley Griffiths, Minister for Local Government and Government Business

Steve Barry, Manager

Appendix 1 – Annual Improvement Report



Annual Improvement Report

Cardiff Council

Issued: September 2013
Document reference: 359A2013



About the Auditor General for Wales

The Auditor General is independent of government and is appointed by Her Majesty the Queen. He leads the Wales Audit Office and is held accountable by the Public Accounts Committee of the National Assembly for the Wales Audit Office's work.

The Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales. He also appoints the external auditors of Welsh local government bodies, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. The Auditor General's appointed auditors are responsible for the annual audit of nearly £5.5 billion of funding that is passed by the Welsh Government to local government in the form of general and specific grants. Local government, in turn, raises a further £2.1 billion through council tax and business rates.

As well as carrying out financial audit, the Auditor General's role is to examine how public bodies manage and spend public money, including achieving value in the delivery of public services. The Wales Audit Office aims to make public money count, by promoting improvement, so that people in Wales benefit from accountable, well-managed public services that offer the best possible value for money. It is also committed to identifying and spreading good practice across the Welsh public sector.

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Janet Villars under the direction of Jane Holownia.

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The Council did not fully evaluate its performance and during 2011-12 its results were mixed	11
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Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the relevant Welsh inspectorates, as well as work undertaken on his behalf by the Wales Audit Office, this report presents a picture of improvement over the last year. The report covers Cardiff Council's (the Council) delivery and evaluation of services in relation to 2011-12, and its planning for improvement for 2012-13.
 - the Council is implementing its highest priorities for 2012-13: introducing the 'living wage' and establishing a new senior management team; and
 - since 2011 the pace of change in some key areas such as asset management and development of performance management arrangements slowed.
- 2 Overall the Auditor General has concluded that: The Council is making significant changes to policy and structure, and financial planning arrangements are sound but its service and improvement plans are not aligned with corporate priorities and it is not reporting outcomes clearly.
- 3 In part one we review activity in 2012-13 and conclude the new administration has begun to deliver some important internal changes, but its focus on new priorities, particularly senior management restructuring, has slowed the pace of change in key areas:
 - the new administration has developed priorities for 2012-13 which are now clearly linked to the responsibility of individual Cabinet members;
- 4 In part two of our report we assess the October 2012 report published by the Council about its performance in 2011-12 and conclude that the Council did not fully evaluate its performance and during 2011-12 its results were mixed:
 - The Council met its responsibility to publish a report of its performance in 2011-12 but there was scope for it to act more in accordance with Welsh Government guidance.
 - The *Improvement Report 2011/12* (the Report) listed activity but did not fully evaluate performance by explaining why undertaking an activity represented 'improvement'.
 - Performance indicators were presented as a means of illustrating performance but associated commentary did not always provide an accurate assessment of performance and did not provide information comparing the Council's performance with others.

- Adoption of broad improvement outcomes led to difficulty in concisely reporting improvement.
- The Report was not easily accessible to citizens and other interest groups; other than being placed on the Council website.
- The Council delivered against some aspects of its improvement objectives as confirmed by our reviews of neighbourhood management, highways, waste management and housing benefit administration but reviews by Estyn and the Care and Social Services Inspectorate for Wales (CSSIW) drew attention to some ongoing weaknesses in education and adult social services.
- Our reviews of neighbourhood management, highways maintenance and waste management demonstrate reasonable levels of improvement in these service areas.
- CSSIW and Estyn reports paint an improving but mixed picture and highlight some concerns.
- We noted a number of areas where the Council could support its reported improvements and some less clearly explained outcomes.

5 Finally, this report sets out our views on how well the Council was planning for, and making arrangements to support, improvement during 2012-13. We concluded that the Council is increasing senior capacity, and has good arrangements for financial planning and overall budget management and some improvement can be identified in some services, but improvement planning in 2012-13 was not sufficiently aligned with delivery of corporate objectives:

- the Council has a good track record of managing its budget but faces some difficult decisions to address the identified £64 million funding gap over the next four years;
- arrangements have been put in place to drive improvement in key areas such as education, but there is an inconsistent approach to acting on the findings of internal and external review; and
- the Council has appointed managers within the new senior management structure but the scale of change in recent years means that improvement and service business plans are not clearly aligned with new corporate priorities.

Proposals for improvement

Proposals for improvement	
P1	Establish clear improvement priorities for 2013-14 by identifying more explicitly the specific improvement sought during the year to enable more focused reporting of outcomes.
P2	Improve performance reporting as required by the Local Government (Wales) Measure 2009 (the Measure) by: <ul style="list-style-type: none">• providing a full evaluation of performance against improvement objectives for the year in question;• providing comparative information, showing results compared to the Wales average where available, and with similar bodies for particular aspects of performance where relevant;• ensuring data presented is relevant to demonstrating achievements in relation to the particular objective and is clearly explained; and• adopting publication arrangements that ensure the Council's annual report of its performance is easily accessible to its citizens and other stakeholders.
P3	Develop performance management arrangements so that: <ul style="list-style-type: none">• corporate improvement priorities and timescales for delivery are clear and appropriate measures are put in place to evaluate progress;• service business plans are aligned with new structures and indicate the delivery associated with achievement of corporate improvement priorities as well as 'day-to-day' operations;• a consistent approach is adopted to addressing opportunities for improvement identified by internal and external reviews and monitoring delivery; and• reporting arrangements are further refined to enable indication of the outcomes/benefits achieved as a result of activity.

Detailed report

Introduction

- 6 Under the Measure, the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education) and the CSSIW, we have brought together a picture of what each council or authority in Wales is trying to achieve and how it is going about it. This report also sets out the progress the Council has made since the Auditor General published his last annual improvement report, drawing on the Council's own self-assessment.
- 7 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- recommend to Ministers of the Welsh Government that they intervene in some way;
 - conduct a special inspection and publish the report with detailed recommendations;
 - make formal recommendations for improvement – if a formal recommendation is made the Council must respond to that recommendation publicly within 30 days; and
 - make proposals for improvement – if we make proposals to the Council, we would expect them to do something about them and we will follow up what happens.
- 8 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.

The Council is making significant changes to policy and structure, and financial planning arrangements are sound but its service and improvement plans are not fully aligned with corporate priorities and it is not reporting outcomes sufficiently clearly

The new administration has begun to deliver some important internal changes, but its focus on new priorities, particularly senior management restructuring, has slowed the pace of change in key areas

The new administration has developed priorities for 2012-13 which are now clearly linked to the responsibility of individual Cabinet members

- 9 Following the Council elections in May 2012 there was a political change in the Council's administration. To allow sufficient time to review the existing priorities already in place and reflect upon whether they adequately explained the priorities of the new administration, the Council took the initial decision not to change priorities for 2012-13.
- 10 In September 2012, the Cabinet set out its vision and priorities for 2012-13 in a report entitled the *Leading Cardiff – Building Communities*¹. This provides the framework for a revised approach to service delivery, the prioritisation of services and resources, and the Cabinet's wish to be central to decision making. The guiding principle adopted is to 'invest to save':

- invest to save frontline services;
- invest to save the jobs of the people needed to deliver them; and
- invest to save around £64 million over the next three years including £22.4 million in 2013-14.

- 11 Each Cabinet member has adopted a programme of specific activities linked to the Council's priorities for 2012-13 and will be accountable for ensuring the improvements outlined in the *Corporate Plan 2013-17* are delivered in the future. This provides greater clarity in terms of the personal accountability of each Cabinet member and establishes a foundation from which senior management and service-based team responsibilities can be developed in the future.

The Council is implementing its highest priorities for 2012-13: introducing the 'living wage' and establishing a new senior management team

- 12 The Council made good progress with its two highest priorities: to increase pay for its lowest-paid staff and add capacity to its senior management team. The Cabinet's highest priorities set out in *Leading Cardiff – Building Communities* were to introduce a new senior team model and implement its commitment to make Cardiff Council the first living wage council in Wales.

¹ *Leading Cardiff – Building Communities*, [www.cardiff.gov.uk/Leading Cardiff - Building Communities](http://www.cardiff.gov.uk/Leading%20Cardiff%20-%20Building%20Communities)

- 13 The 'living wage' is an hourly rate set independently and calculated according to the basic cost of living in the United Kingdom. From September 2012, over 2,000 of the lowest-paid staff in the Council received the living wage of £7.20 per hour (around £1 per hour more than the national 'minimum wage') in recognition of the value the Council places on staff who carry out some of the most important and challenging jobs.
- 14 The Council is currently recruiting to its new structure which reflects member portfolios and responsibilities, with seven director and assistant director posts. The structure is designed to provide additional permanent staff capacity and reduce the use of external consultants, and is planned to be cost neutral. The Council is funding the additional staff through realigning resources, using £1.1 million from the consultancy budget for the transformation programme. The senior management recruitment process has recently been completed. The stated aim is to: 'Create a senior management team loyal to the Council, capable of working effectively in a Member-led local authority and able, over time to acquire a deep understanding of the city they serve'¹.

Since 2011 the pace of change in some key areas such as asset management and development of performance management arrangements slowed.

- 15 In August 2012, we reported to the Council: 'We believe that the Council is likely to comply with the requirement to make arrangements to secure continuous improvement during this financial year'. At the time we found that the proposals for improvement we had previously made had either been addressed, or were being planned. The Council was well placed to address its financial challenges and had clear transformation plans, which were supporting the delivery of efficiency savings.
- 16 Since August 2012, we have undertaken a further check of our proposals for improvement and found that planned progress was slower than anticipated as senior officers shifted their emphasis to the priorities of the new Council and some key intended improvements had not been achieved. Improvements have been made in neighbourhood management, and in waste and highways management. But, there remain areas for improvement, such as the wider implementation of outcome-focused reporting and embedding robust asset management arrangements that will enable the Council to clearly identify the impact of its activity and secure efficient use of its assets. Key areas where progress has either not been made or intended improvements have not been achieved include:

- Performance management: Systems still do not enable the Council to fully evaluate the impact of its activities and the absence of comparison with others means only a limited picture of performance is available. Plans for improvement have been under consideration since February 2011 and although changes have been introduced fundamental weaknesses, such as activities being listed and monitored but outcomes being unclear, have not been resolved.
- Asset management: The Council had been making slow but steady progress in developing its asset management arrangements but progress has stalled over the past two years and arrangements are not ensuring best use of resources.
- Human resources: We reviewed corporate HR arrangements in 2011 and noted proposals to ensure implementation of individual performance appraisal arrangements. We also acknowledged the potential of the 'Cardiff Academy' to equip people for change and delivery of improvement. In the past year, sickness absence rates have been the subject of routine reports to Cabinet. In summary, the intended benefits of the Cardiff Academy are yet to be realised and although attention has been paid to sickness absence data, the data suggests limited improvement and calls into question the effectiveness of action to date.

17 The Council is subject to scrutiny by a number of regulatory bodies and this report includes their main findings. Our own reviews, the annual evaluation published by the CSSIW² in October 2012, and the monitoring visits of Her Majesty's Inspectorate of Education and Training in Wales (Estyn) have identified that the Council has made some progress in delivering planned improvements. Progress was recognised in social services and aspects of education, which is explained in a little more detail later in this report.

² CSSIW, *Annual Review and Evaluation of Performance 2011-2012*, www.wales.gov.uk/docs/cssiw/publications/121031cardiffen.pdf

The Council did not fully evaluate its performance and during 2011-12 its results were mixed

The Council met its responsibility to publish a report of its performance in 2011-12 but there was scope for it to act more in accordance with Welsh Government guidance

- 18 The Measure requires the Council to publish a report of its performance in 2011-12 by 31 October 2012. The Welsh Government has also published guidance for councils with suggestions as to how they may discharge their duties. Councils are expected to have regard to this guidance when preparing and publishing their reports. The Council published the Report on 31 October 2012.
- 19 The Auditor General is required, under the Measure, to report on whether the Council has discharged its duties and met the requirements of the Measure. Having reviewed the Council's Report, the Auditor General issued his conclusions to the Council in January 2013. In summary he found that whilst having discharged its publication duties, there was scope for the Council to act more in accordance with guidance by ensuring its future reports:
- provide a full evaluation of performance against objectives for the year in question; and
 - provide comparative information, showing results compared to the Wales average where available, and to similar bodies.

The Report listed activity but did not fully evaluate performance by explaining why undertaking an activity represented 'improvement'

- 20 The Council's Report covers all eight of the intended outcomes of the Council relevant to 2011-12. For each of the outcomes the Report poses the question: 'Are we delivering the vision?' Whilst the inclusion of this question is a positive step, the Report simply lists activity, without showing how they are expected to contribute to achievement of the outcomes. For example, the outcome 'people in Cardiff are safe and feel safe' is supported by the statement that the Council is 'committed to working in partnership to create a city that is safe in the broadest possible sense and where citizens are empowered with the knowledge and confidence to feel safe'. The narrative that follows lists a range of activities undertaken by the Council such as 'improved data collection methods and access to procedures for staff'. However, the Report does not go on to explain how these activities contribute and if the Council considers it is achieving the intended outcome. A similar pattern is seen throughout the Report.

Performance indicators were presented as a means of illustrating performance but the associated commentary did not always provide an accurate assessment of performance and did not provide information comparing the Council's performance with others

- 21 The Council's Report includes a narrative and tables of performance indicators in each of its eight sections. The Report does not explain how the indicators illustrate performance or their connection (if any) with the narrative.
- 22 Arrow symbols are used in the data tables to denote improving, declining or static performance over time. The use of symbols, whilst giving a quick impression of performance trends, does not give a clear assessment of the actual result achieved. For example, attendance at school is one of the indicators used by the Council to illustrate performance relating to 'people in Cardiff achieve their full potential'. The performance trend for the percentage of pupil attendance in secondary school – has an upward arrow indicating improved performance. However the actual data shows that the improvement is negligible, rising only from 90.4 per cent to 90.5 per cent. For this indicator, the Council had set a target attendance rate of 91.6 per cent. The Report suggests performance as 'improving' – which whilst numerically correct, does not identify the reasons as to why the Council has failed to achieve its target.
- 23 The Report does not provide any comparison of the Council's performance against all-Wales averages or with similar organisations, which means it is not fully following the recommendations within Welsh Government guidance by not presenting a sufficiently balanced picture of performance. The data included for delayed transfers of care shows the Council did not meet its improvement target and an explanation is provided. However, the lack of comparative information means that readers cannot fully judge performance when compared with other councils. The Council rate of 11.28 days compares to the Wales average of 4.78 days and the best rate of 0.22 days, which means performance was amongst the worst in Wales in 2011-12.
- 24 Welsh Government guidance recommends not just an assessment of performance against statutory performance indicators but that the assessment should include the results of peer review, scrutiny assessments and other sources of more qualitative information including benchmarking data. The Report does not explain how the Council approached improvement in 2011-12 and like other councils, did not consistently and clearly demonstrate outcomes for citizens.
- 25 In conjunction with its partners, the Council has been developing outcome-focused reporting for the What Matters Strategy and Neighbourhood Management and it is expected that it will be in a better position next year to report on the impact of its activity.

Adoption of broad improvement outcomes led to difficulty in concisely reporting improvement

- 26 Given that the Council's improvement objectives were broad in scope, for example 'deliver improved outcomes...through strong partnerships and innovative ways of working', the Council has had difficulty in reporting what has specifically improved as a result of its work. The Cabinet appeared to have recognised the need for greater focus on a smaller number of improvement priorities, publishing *Leading Cardiff – Building Communities* in 2012 and setting specific objectives at Cabinet level for 2012-13. The Council is in the process of aligning election manifesto commitments with priorities that will influence future corporate and service plans for 2012-2017. We will be assessing whether the Council has set improvement objectives for 2013-14 in compliance with the Measure requirements in the coming months.

The Report was not easily accessible to citizens and other interest groups; other than being placed on the Council website

- 27 Whilst the Council published its Report on its website, it proved difficult to find as neither the document nor a link to the document was clearly identifiable on the front page and required the use of the website search button. In line with Welsh Government guidance, the Council should ensure future reports are more readily accessible.

- 28 The following sections provide further opinion about the information contained in the Report arising from our review of the document, any associated studies we have undertaken and the work of other regulators.

The Council delivered against some aspects of its improvement objectives as confirmed by our reviews of neighbourhood management, highways, waste management and housing benefit administration but reviews by Estyn and the CSSIW drew attention to some ongoing weaknesses in education and adult social services

- 29 For 2011-12, the Council had identified the key outcomes it wished to achieve as a consequence of its activities. These were:
- people in Cardiff are safe and feel safe;
 - Cardiff has a thriving and prosperous economy;
 - people in Cardiff achieve their full potential;
 - Cardiff is a great place to live, work and play;
 - people in Cardiff have a clean, attractive and sustainable environment;
 - people in Cardiff are healthy;
 - Cardiff is a fair, just and inclusive society; and
 - the Council delivers positive outcomes for the city and its citizens through strong partnerships.

Our reviews of neighbourhood management, highways maintenance and waste management demonstrate reasonable levels of improvement in these service areas

Neighbourhood management is delivering positive results

- 30 In June 2009, to more effectively address the different needs and priorities across the city, the Council and local service board decided to develop a multi-agency approach to neighbourhood management. The city was divided into six neighbourhood management areas. Teams made up of staff from the Council partner agencies work together in these neighbourhoods sharing local knowledge to tackle specific problems in the neighbourhood.
- 31 In our 2012 review of neighbourhood management, which clearly relates to several of the Council's broad objectives we found that the Council was working effectively with others through the Cardiff Partnership to reduce crime, fear of crime and anti-social behaviour. Neighbourhood teams are actively addressing complex issues and hold information and case studies that illustrate the impact achieved locally. We reported that there is scope for the Council to integrate information from this source to provide an improved evaluation of the impact of its activity.
- 32 Since then we have undertaken further work and have been shown how local teams have been able to respond positively to local issues – in particular tackling anti-

social behaviour. The Council had made some progress in addressing the four proposals arising from the original review. It has addressed the proposal relating to action planning and is continuing to develop its approach in this area. However, it has made little or no progress on the other three proposals for improvement, which relate to ensuring that neighbourhood management is considered in the Council's service redesign and that staff across the Council understand their roles and responsibilities within the arrangements. This is leading us to conclude that the neighbourhood management model is delivering local improvements but is not yet fully aligned with all relevant council services.

Highways maintenance arrangements were improving but a need for better information to support forward planning remains

- 33 In 2011, we reported that development of highways maintenance had been slow but that the Council was beginning to improve the service. We made a number of proposals for improvement. During 2012, we assessed progress against those proposals and found there had been reasonable progress. But, key challenges remained because it had not improved the quality of its highway asset information to enable it to better prioritise and estimate the costs of maintenance work. The endorsement and final adoption of highways condition standards should be finalised in early 2013 providing a clear basis upon which to specify necessary repair work and the Council has established funding plans to enable it to carry out highways infrastructure work.

Waste management arrangements were improving and the Council was acting on our previous proposals for improvement

- 34 In August 2011, we reviewed the Council's waste management service and concluded that the Council is making sufficient progress to meet current and future waste targets and create a cleaner city. Performance is improving with the introduction of better systems but the strategy does not go far enough to promote waste prevention and may not align with national strategy. In our 2012 follow-up review of progress we found that, in general, the Council has made a good response to our proposals for improvement. The waste service remains focused on the implementation of the new collection methods introduced in late 2011, as evidenced by steady improvement to the recycling rate. There is still much for the Council to do to widen the activities of the waste service and fully embrace sustainable waste management, but we can see this starting through new plans for waste reduction and reuse, and in the good progress made in partnership to deliver waste treatment facilities.
- 35 The Council is making good progress with recycling and with short and medium-term targets, but could make better use of the data collected to improve performance. The Council continues to work closely with the Welsh Government, but there is a considerable risk that the Welsh Government will interpret changes to European Union waste legislation by requiring large and expensive changes to the Council's kerbside collection system by 2015.
- 36 Strategic vision and components of a longer-term waste strategy remain underdeveloped, pending direction from the Welsh Government on recycling and a clearer view on how the Council can make a more significant contribution to waste prevention. The Council is making some progress, has some good waste reuse initiatives listed in a draft plan, but initiatives for waste minimisation need to be more extensive and innovative. The Council's role in waste reduction and the resources it needs to change the behaviour of residents to produce less waste remain unclear pending guidance from the Welsh Government. The Council is making only limited progress to learn from others, although it has begun to map out the partners that it needs to work with to deliver the waste strategy.
- 37 In partnership with the Vale of Glamorgan Council, the Council has identified two preferred bidders for the provision of a food and organic waste treatment facility. The Organic Waste Treatment Project aims to announce the preferred bidder during the spring/summer of 2014. Effective administration of housing benefit was ensuring timely and accurate payments and better-than-average times for processing changes of circumstances, although processing times for new claims were longer than the Wales average.
- 38 Our work to review the Council's arrangements for administering housing benefit found that arrangements are supporting improvement; processes should ensure that timely and accurate payments are made to the right people, are effective and responsive, and show a generally

improved performance from 2010-11 to 2011-12. Whilst processing times for new housing benefit claims are longer than the Welsh average, processing time for changes of circumstances are quicker than the Welsh average. Accuracy has improved, and the service is focused on establishing a general entitlement to housing benefit at an early stage, thereby minimising defective claims later in the process.

CSSIW and Estyn reports paint an improving but mixed picture and highlight some concerns

The Council has reported some weaknesses in arrangements for safeguarding vulnerable people which the CSSIW has also highlighted in an otherwise generally improving picture of social services

- 39 The Council reported that it undertook a number of activities to improve what it does to safeguard vulnerable people, recognising the need for such improvement. It did not, however, explain how these activities have helped keep vulnerable people safe.
- 40 Performance data in the Report shows that the rate of delayed transfers of care for social care reasons got worse between 2010-11 and 2011-12 increasing from 7.12 per 1,000 population to 11.28 per 1,000 population aged 75 or over. Delayed transfer of care remains a challenge for the Council and its health board partner, despite the introduction of a range of initiatives in recent years.

- 41 In October 2012, an annual evaluation of Social Services was published by the CSSIW (the CSSIW evaluation). It considered that the Council had responded to some of the more critical areas for development identified in the previous CSSIW evaluation but there had been more limited progress on improvements to services for adults.
- 42 The CSSIW recognised that the Council has continued to develop its partnership arrangements with the Vale of Glamorgan social services and with Cardiff and the Vale University Health Board. It was of the view that this collaboration is vital to the future development of service provision. Some improvements in ensuring that vulnerable people had access to services to reduce health inequality were identified but the Council recognised the need to further improve services and performance across adult care.
- 43 Some improvements in ensuring that vulnerable people had access to services to reduce health inequality are demonstrated in performance data and were highlighted in the CSSIW evaluation but the Council has recognised the need to further improve services and performance across adult care.

The Council is addressing issues in the education service; progress will be assessed by Estyn during 2013

- 44 An inspection by Estyn in January 2011 judged the education service to be 'adequate', schools performance was average and the rate of fixed-term exclusions was among the worst in Wales. The Council put arrangements in place to address the recommendations made by Estyn and continued the implementation of its improvement plans during the past year.
- 45 A monitoring visit took place towards the end of June 2012 to assess progress against the recommendations arising from the Estyn inspection. The monitoring visit recognised progress in several areas but found that there is still more that the Council needs to do to build on this work to ensure the recommendations are met fully. As a result, the Council remains in the 'follow-up' category of Estyn monitoring and a team of inspectors will return to monitor progress being made later in 2013.
- 46 The Council reports that it has continued to work on activities to develop an early learning childhood framework and worked with others to implement an 'early intervention and prevention strategy'. It does not provide an evaluation of its progress or the impact of these activities in improving learner outcomes or promoting social inclusion.
- 47 The Council reported that it had 'significantly reduced' the number of permanent exclusions although the data shows only a 0.01 per cent reduction in permanent exclusions from primary schools; the percentage figure for exclusions from secondary schools being the same as the previous year.
- 48 Attendance in Cardiff primary and secondary schools improved although the percentage of attendance by looked-after children fell. Although the Council attributes improved general attendance to managing attendance and allocating additional resources to schools it does not highlight the fall in attendance by looked-after pupils or indicate proposed action to remedy this.
- 49 The new Cabinet made a strong commitment to reduce the number of young people not in education, employment or training (NEET) and to make Cardiff 'NEET free'. Our review of the effectiveness of the Council's neighbourhood management approach identified that during 2012 the Council had broken its NEETs statistics down to a neighbourhood level, which has provided it with valuable information and insight. Overall, available statistics for NEETS show a slightly improving position across the city although this was not the case in the city south locality. There has been an increase in the percentage of young people remaining in full-time education but the proportion entering work-based training with non-employed status remained the same, while the proportion with employed status rose.

We noted a number of areas where the Council could support its reported improvements and some less clearly explained outcomes

50 We reviewed the Council's report of its own performance for 2011-12, checking for consistency with the data and drew the following conclusions from that review:

- action designed to deliver sustainable travel choices had not yet changed the way people travel in the city;
- performance data indicates that more people visited Cardiff in 2011-12 compared to 2010-11 although attendance at chargeable events fell;
- data indicated improvements in the cleanliness of highways and speed of removal of non-offensive graffiti but the removal of fly tipping and offensive graffiti was not done as quickly as before;
- a range of initiatives were contributing to a reduction in carbon emissions;
- the Council continued delivery of a programme of improvements to ensure more of its homes met the Welsh Housing Quality Standard but the impact of its activity on the quality of private sector housing was less clear;
- there was increased take-up of exercise referrals and visits to Council sport and leisure centres;
- more information is available for the public about hygiene in food establishments with more being broadly compliant with hygiene standards;
- the Council's Report describes a range of activities associated with improving citizen access to services but does not go on to explain if those activities were based on meeting identified needs;
- a higher percentage of households were prevented from becoming homeless compared to the previous year but scheme delays meant fewer affordable rent and assisted home ownership properties were provided than planned;
- the Council's Report describes a range of activities undertaken with the aim of promoting equality of opportunity and participation in decision making but does not explain whether improvement has been achieved or provide relevant data to support an assessment of the impact of activities;
- although some progress was made in the implementation of the Council's *Welsh Language Scheme*, it missed its target of establishing an integrated corporate database to record the language preference of Cardiff residents;
- the Council has made acceptable progress in discharging its responsibility to provide services to the public in Welsh in accordance with the commitments in its language schemes and to provide an annual monitoring report to the Welsh Language Commissioner;

- the Council identified the financial savings made as a result of internal changes but did not explain whether changes in the way in which services are being delivered led to improvements for users; and
- the Council was engaging effectively with a range of different partners but activity was not fully reported and the benefits for service users not fully explained.

The Council is increasing senior capacity, and has good arrangements for financial planning and overall budget management and some improvement can be identified in some services, but improvement planning for 2012-13 was not sufficiently aligned with delivery of corporate objectives

The Council has a good track record of managing its budget but faces some difficult decisions to address the identified £64 million funding gap over the next four years

- 51 The Council has a track record of good engagement and has engaged extensively as part of the 2013-14 budget-setting process. Members, the public and key stakeholders have all had the opportunity to contribute and comment. The new administration has kept its manifesto pledge not to increase the rate of council tax for 2013-14 although this has been challenging with £22.4 million savings having to be found.
- 52 The Council recognises the financial challenges it faces due to anticipated reductions in funding from the government for both revenue and capital expenditure and increased demand for some services. It has acknowledged that it is essential to prioritise what it does both in the current financial year, and over the medium term.
- 53 A medium-term financial plan is in place which identifies the emerging pressures over the next four years, highlighting the funding gap per year that the Council needs to address.
- 54 In the 2012-13 financial year the Council reported an underspend of £187,000 on its total revenue budget, but financial pressures continue to exist within a number of areas, particularly in children's services which overspent by £1.992 million. These

pressures have been offset by savings on non-domestic rates refunds on council properties and the receipt of outcome agreement grant funding but areas of financial pressure will need to be monitored carefully going forward.

- 55 Slippage in the capital programme continues to be an issue, with the projected out-turn for 2012-13 being £90.7 million – an underspend of £34 million, mainly due to slippage with the Cardiff Enterprise Zone.
- 56 The auditor appointed by the Auditor General recently gave his opinion on the Council's financial statements. An unqualified opinion was given on 28 September 2012 – [Appendix 3](#) gives more detail.

Arrangements have been put in place to drive improvement in key areas such as education, but there is an inconsistent approach to acting on the findings of internal and external review

- 57 The Council can demonstrate that it responded effectively to tackling education service weaknesses identified by the 2011 Estyn inspection by establishing and implementing a post-inspection action plan. This included the establishment of a board led by the Chief Executive with a sustained focus on implementing improvements. The Council is also able to show that appropriate project management arrangements had been put in place to support implementation of the previous transformation programme.

58 The Council is less consistent in acting on recommendations at service level that arise from the work of the Internal Audit service or the Wales Audit Office. In some instances, this has meant little or no evident progress in addressing issues and a lack of clarity about whether the Council intends to adopt recommendations, or having considered them, has decided not to adopt them. For example:

- The Audit Committee receives regular reports about the progress of the programme of Internal Audit work and some have identified no or slow progress in addressing recommendations agreed by service managers. We are not satisfied that there is a consistent approach to ensuring service managers implement agreed recommendations in a timely manner and mitigate the risks identified by Internal Audit.
- In recent years, we have undertaken and followed up a number of service-specific reviews. Whilst clear progress can be identified in some services there are instances when progress has been slow. We accept that for some activities improvement will take longer than for others but currently the Council has no systematic means of ensuring proposals for improvement are incorporated into service improvement plans. Nor is the Council readily able to take an overview of progress or revise implementation plans to accommodate new demands on its resources.

59 In summary, in relation to Wales Audit Office reports since 2010, we found:

- the Council does not yet have a sustainable strategic approach to delivering and using technology that supports local and national improvement plans;
- by February 2013 there was evidence of progress being made against some of the original proposals for improvement, but progress had been hampered by continual change in structures and capacity; and
- some progress has been made in improving asset management arrangements but necessary changes have not yet been fully implemented.

The Council has appointed managers within the new senior management structure but the scale of change in recent years means that improvement and service business plans are not clearly aligned with new corporate priorities

60 At the time of writing, the Council had completed recruitment to a new senior management structure designed to increase managerial capacity adopted in October 2012. The recruitment process involved assessment of new competencies expected of directors in change control, commercial acumen and collaboration. The senior management team should be better equipped to tackle issues facing the Council in the future.

- 61 The new Council faces inevitable short-term risks to ensure service continuity and quality as the new management team includes a number of staff who are new to the Council. The officers who will form the new senior management team are expected to be in post by the end of the summer 2013.
- 62 The Council had established robust project management for the former portfolio of transformation projects and produced improvement plans as part of this activity. It has also produced specific improvement plans when addressing particular issues, such as those identified in the 2011 Estyn inspection as well as individual service plans. However, in recent years a broad range of plans has developed and the intended alignment of service business plans with the delivery of corporate priorities has inevitably become disjointed as changes in structure have outpaced the capacity of service managers to revise and modify plans (the Council's senior management structure also changed significantly in 2011). The Council has a wide range of delivery arrangements that will need to be brought into clear alignment with its new priorities to support successful implementation of its new corporate plan.
- 63 Work is underway to address this. There is a recognition that clear alignment of service business plans with corporate plan priorities is important because it enables service-based decisions to be informed by, and support, strategic priorities. We shall be reviewing the development of delivery arrangements and reporting in more detail later in the year.

Appendices

Appendix 1 Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, because of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is informed by a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. This report also summarises the Auditor General's conclusions on the authority's self-assessment of its performance.

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the relevant authorities and Ministers, and which he may publish (under section 22). This published *Annual Improvement Report* summarises audit and assessment reports including any special inspections (under section 24).

An important ancillary activity for the Wales Audit Office is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2

Useful information about Cardiff and Cardiff Council

The Council

The Council spends approximately £780.1 million per year (2012-13). This equates to about £2,258 per resident. In the same year, the Council also spent £99.4 million on capital items.

The average band D council tax in 2011-12 was £1,086.23 per year. This has increased by 1.98 per cent to £1,107.71 per year for 2012-13. 58.4 per cent of Cardiff's housing is in council tax bands A to D.

The Council is made up of 75 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 46 Labour
- 15 Liberal Democrat
- 7 Conservative
- 3 Independent
- 2 Plaid Cymru
- 1 Gabalfa Independent
- 1 Heath Independent

During 2012-13 the Council's Chief Executive was Jon House. He was supported by:

- Corporate Services: Christine Salter
- Chief Operating Officer: Andrew Kerr
- Place: Neil Hanratty
- People (interim): Nick Jarman
- Communities: Sarah McGill
- Shared Services: Philip Lenz

Other information

The Assembly Members for Cardiff are:

- Jenny Rathbone, Cardiff Central, Labour Party
- Julie Morgan, Cardiff North, Labour Party
- Vaughan Gething, Cardiff South and Penarth, Labour Party
- Mark Drakeford, Cardiff West, Labour Party
- David Melding, South Wales Central, Conservative Party
- Andrew T. Davies, South Wales Central, Conservative Party
- Eluned Parrott, South Wales Central, Welsh Liberal Democrat
- Leanne Wood, South Wales Central, Plaid Cymru

The Members of Parliament for Cardiff are:

- Jenny Willott, Cardiff Central, Liberal Democrat
- Jonathan Evans, Cardiff North, Conservative
- Stephen Doughty, Cardiff South and Penarth, Labour/Co-operative
- Kevin Brennan, Cardiff West, Labour Party

For more information see the Council's own website at www.cardiff.gov.uk or contact the Council at Cardiff Council, County Hall, Atlantic Wharf, Cardiff CF10 4UW.
Tel: 029 2087 2087 (English) or 029 2087 2088 (Cymraeg), or e-mail C2C@cardiff.gov.uk.

Appendix 3

Appointed Auditor's Annual Audit Letter

Councillor Heather Joyce
Leader
Cardiff Council
County Hall
Atlantic Wharf
CARDIFF
CF10 4UQ

Dear Councillor Joyce

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 28 September 2012 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Cardiff and Vale of Glamorgan Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to Members of the Audit Committee and Council in my Audit of Financial Statements report on the 17 and 27 September 2012 respectively, and a more detailed report for management will follow in due course. The conclusions set out in these reports are:

- The Council has effective high level financial controls in place which reduce the risk of material misstatement to the statement of accounts:
 - Our testing did not identify any significant matters to report in respect of the operation of the key controls within the main accounting system.
 - Key controls within the budgetary control system were effective with reported outturn for 2011-12 falling within budget. However, the Council needs to revisit its procedures for budget virements and slippage against the capital programme remains an issue.
 - The key controls over closedown arrangements and preparation of the draft statement of accounts for audit were in place.
- Significant improvement has been made in respect of the matters reported in 2010-11 although there is scope to improve some other aspects of the Council's internal financial control procedures:
 - significant improvement had been made in respect of the controls over manual debtors and creditors;
 - arrangements for Internal Audit comply with the CIPFA Internal Auditing Standards but some areas for improvement were identified particularly in respect of the 'critical friend' role being undertaken; and
 - progress had been made in respect of members declarations of interest although further work is needed in respect of declarations of interest by senior officers.
- The Council should review the basis for its completion and review of the Whole of Government Accounts Return given that our opinion for 2011-12 was, in part, qualified due to the lack of analysis of counter party information.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness is based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. I am satisfied that the Council has appropriate arrangements in place in respect of areas covered by our financial audit work however, the WAO improvement team are still concluding on their improvement assessment work and will be reporting separately on this. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

In September 2010 I received a disclosure under the Public Interest Disclosure Act. My investigation of these matters has now been concluded and findings reported to management, no issues were identified that would impact on the accounts. I issued certificates on 21 September 2012 to confirm that the audits of the accounts for 2009-10 and 2010-11 had been completed.

I issued a certificate confirming that the audit of the accounts for 2011-12 had been completed on 28 September 2012. The financial audit fee for 2011-12 is currently expected to be in line with the agreed fee set out in the Annual Financial Audit Outline.

Yours sincerely

Anthony Barrett
Appointed Auditor

Cc: Jon House, Chief Executive, Cardiff Council
Christine Salter, Chief Corporate Services & Section 151 Officer, Cardiff Council

Appendix 4

Cardiff Council's improvement objectives and self-assessment

The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council's published improvement objectives for 2012-13 in its *Corporate Plan 2012-2014* and *Improvement Report 2011/12* which can be found on the Council's website at www.cardiff.gov.uk. The improvement objectives are:

Improvement priorities 2011-12	Improvement objectives 2012-13
People in Cardiff are safe and feel safe	People in Cardiff are safe and feel safe
Cardiff has a thriving and prosperous economy	Cardiff has a thriving and prosperous economy
People in Cardiff achieve their full potential	People in Cardiff achieve their full potential
Cardiff is a great place to live, work and play	Cardiff is a great place to live, work and play
People in Cardiff have a clean, attractive and sustainable environment	People in Cardiff have a clean, attractive and sustainable environment
People in Cardiff are healthy	People in Cardiff are healthy
Cardiff is a fair, just and inclusive society	Cardiff is a fair, just and inclusive society
The Council delivers positive outcomes for the city and its citizens through strong partnerships	The Council delivers improved outcomes for the city and its citizens through strong partnerships and innovative new ways of working

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