

CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 8 December 2014

ORGANISATIONAL DEVELOPMENT PROGRAMME (ODP)

AGENDA ITEM: 5

Reason for this Report

1. The Corporate Assessment 2014, issued by the Wales Audit Office in September, was discussed at Audit Committee on the 15th September. Members requested the Leader and Chief Executive be invited to their next meeting to seek assurances that the required improvements, as identified in the Corporate Assessment Report, were being addressed as part of the Organisational Development Programme.
2. A representative from the Wales Audit Office and the Audit & Risk Manager were asked to prepare a Briefing Report to assist Members with preparing for this item on the December meeting agenda.

Background

3. In March 2014 the Wales Audit Office undertook a Corporate Assessment of the Council, which sought to answer the question, "Is the Council capable of delivering its priorities and improved outcomes for citizens?"
4. The Corporate Assessment drew the following conclusions:
 - Political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement
 - The Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery
 - Some processes intended to ensure good governance have not been implemented, and decision-making processes are inefficient and lack transparency
 - Whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past
 - Although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means the current methods of service delivery are unsustainable
 - Corporate human resource arrangements are founded on positive practice but are not being implemented consistently
 - The Council is improving its use of information technology and its information arrangements
 - The Council is not managing its land and property assets well
 - The Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens.

5. The Wales Audit Office set out their expectations as follows:

Leader and Cabinet

- Clarity of vision and cohesive leadership
- Clear roles and expectation – clear accountability
- Appraisal and development
- Effective Agenda management

Senior Management Team

- Clarity of vision and cohesive leadership
- Clear roles and expectations – clear accountability
- Appraisal and development consistently implemented
- Robust performance evaluation and transparent reporting
- Delivery of savings plans
- Robust options appraisals to inform budget planning

Scrutiny Committees

- Improved agenda management
- Clear roles and accountabilities
- Performance evaluation and challenge
- Relevant work programmes
- Clarity of intended impact and benefits of reviews

Audit Committee

- Improved agenda management
- Clear roles and accountabilities – in particular when issues identified by the Committee remain unresolved
- Robust challenge of the Annual Governance Statement
- Review Internal Audit's strategic plan and underlying risk based annual plan to ensure key areas covered and monitor:
 - o Slippage against plan and implications for annual IA assurances
 - o Compliance testing in context of failures identified in the Corporate Assessment

Issues

Council Responses to Wales Audit Office Corporate Assessment

6. The Cabinet Report of 15 May 2014 established the Organisational Development (OD) Programme as the delivery mechanism for a new organisational model, based on cooperative principles that will reposition the Council and enable it to respond positively and effectively to the challenges.
7. Following the Wales Audit Office Corporate Assessment, a further Cabinet Report was approved on 18 September 2014 setting out how the Council would ensure that the Council addresses the Auditor General's primary proposal for improvement, which is that:
 - “the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment”.

8. The September report set out how the Organisational Development Programme will ensure delivery of continuous improvement in both systems and services:
- Further strengthening of Corporate Planning & Performance Management;
 - Clarifying measures to improve medium term financial planning;
 - Strengthening “Governance” programme;
 - Streamlining “Assets & Infrastructure” programme to focus on organisational development alone;
 - Refining the management of the programme to better facilitate the flow of different initiatives through the programme.

Audit Committee Assurance Requirements

9. As part of the Audit Committee's role to provide high level focus on assurance and the Council's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial risk, the Committee would like assurance that:
- Concerns raised in the WAO Corporate Assessment will be addressed as part of the OD Delivery Plan;
 - That sound financial controls are in place, with robust evaluation of investment decisions and effective monitoring of expenditure and savings;
 - That senior management are held to account for ensuring all officers understand and fully comply with Council rules and policies;
 - The OD Plan is on track to deliver, with milestones being met and savings realised;
 - The governance framework for change is robust, with appropriate management of risks and issues;
 - That the improvements to the performance management framework meet the changing needs of the Council;
 - That lessons learned from other public bodies and internal change are being used to mitigate risk across the OD Programme.

Legal Implications

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

Financial Implications

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

RECOMMENDATION

12. The Committee notes the content of this report.

**CHRISTINE SALTER
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WALES **AUDIT** OFFICE
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Annual Improvement Report including the Corporate Assessment 2014

The City of Cardiff Council

Issued: September 2014
Document reference: 367A2014

About the Auditor General for Wales

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

Together with appointed auditors, the Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, 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.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

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This Corporate Assessment Report has been prepared on behalf of the Auditor General for Wales by Steve Barry and Samantha Spruce under the direction of Jane Holownia.

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Summary report, introduction and proposal for improvement

Introduction

- 1 Under the Local Government (Wales) Measure 2009 (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 in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. This work has been undertaken by staff of the Wales Audit Office, on behalf of the Auditor General. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (CSSIW), and the Welsh Language Commissioner, we have brought together a picture of what Cardiff Council (the Council) is trying to achieve, how it is going about it, and the progress it has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report records the Auditor General's conclusion on whether the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 2 In 2013-14, staff of the Wales Audit Office began a four-year cycle of corporate assessments of improvement authorities in Wales. This means that, in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, we will keep track of developments through progress updates.

- 3 Our fieldwork for the corporate assessment focused on the extent to which arrangements are contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question:
'Is the Council capable of delivering its priorities and improved outcomes for citizens?'
- 4 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:
 - make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 5 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.

Summary

- 6 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. This report sets out the findings of the work undertaken on behalf of the Auditor General by the staff of the Wales Audit Office; and also draws on the work of the relevant Welsh inspectorates. The report covers the Council's delivery of services, its evaluation of services in relation to 2012-13, and its planning of improvement for 2013-14. Taking these into account, the report records the Auditor General's conclusion on whether he believes that the Council will make arrangements to secure continuous improvement for 2014-15.
- 7 The Auditor General has concluded that: **Fragmented leadership and management have meant that weak performance in key service areas has not improved.** We came to this conclusion because:
 - political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement;
 - the Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery;
 - some processes intended to ensure good governance are not being implemented, and decision-making processes are inefficient and lack transparency;
- 8 In May 2013, the Chief Executive outlined to the Cabinet the risks and emerging challenges to the Council across all Cabinet portfolio areas, following which the Cabinet commissioned a Peer Review by the Welsh Local Government Association. The review, published in September 2013, highlighted a deterioration in systems and procedures over a number of years together with a lack of transparency in information being reported to members. In October 2013, Cabinet adopted a report which described actions the Cabinet 'already had in place to contribute significantly to addressing the Peer Review recommendations' and that
 - whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past;
 - although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means current methods of service delivery are unsustainable;
 - corporate human resource arrangements are founded on positive practice but are not being implemented consistently;
 - the Council is improving its use of information technology and its information management arrangements;
 - the Council is not managing its land and property assets well; and
 - the Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens.

Detailed report

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

'other elements of the Peer Review which needed urgent action have either already been addressed or appropriate actions are currently being put in place'.

9 The findings in this report mean that we cannot agree that significant progress has been made in addressing the issues identified in the Peer Review and our more recent work identifies the extent of the problems that the Peer Review described as 'deep rooted'. We recognise that some progress has been made, particularly with the establishment of a new senior management team, improvements to financial information about directorates and the identification of £50 million potential savings for 2014-15. However, significant risks remain:

- Savings proposals have been identified, but a significant number are not backed by detailed plans and a track record of failing to achieve planned savings in recent years means uncertainty remains about whether the Council will meet the £50 million savings proposed for 2014-15.
- The revised Corporate Plan still lacks sufficiently clear measures of success, and delivery plans against which performance can be reviewed are in an early stage of development.
- Whilst some changes to the detail within the existing performance management framework are being made, the Council still lacks readily accessible and timely information to enable it to effectively manage performance.

- The Council cannot be sure that policies and procedures are being put into practice. Control systems are not effectively identifying and dealing with instances of non-compliance.

- 10 This new leadership thus faces significant challenges. In September 2013, the Peer Review described its recommendations as 'urgent', requiring an urgent response from the Council. The new leadership will need to prioritise action and instil the required urgency in its response.
- 11 Given the recent progress and the establishment of a new management team, the Auditor General feels it appropriate to allow time for new processes and procedures to bed down, before making any recommendations. We will, therefore, carry out a corporate inspection in 2015 to determine whether the issues identified in this report have been satisfactorily resolved.

Proposal for improvement

P1 The Council ensures the implementation of its Organisation Development Plan resolves the range of issues identified in this assessment.

- 12 We will work with the Council in the interim to ensure that there is clarity about the key improvements we expect to see achieved by the time of the corporate inspection, and will monitor activity in the coming months as a means of assessing progress.

Political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement

- 13 Over the past four years the Council has undergone a change in political control, has had three leaders and a leadership challenge, two chief executives and two re-structures of its senior management team. The resulting period of instability at both political and managerial level has been accompanied by reports of failing services and weaknesses in processes and procedures.
- 14 At a political level, a new administration was elected in May 2012. In May 2013, the Leader survived a leadership challenge. Later in the year, the Cabinet was increased from 9 to 10 members. A leadership election took place in March 2014 and the newly elected leader appointed a new Cabinet comprising nine members.
- 15 The various administrations made significant changes at managerial level over the period 2010 to 2012. By April 2012, the administration had reduced the senior management team to the Chief Executive and four senior managers. In May 2012, the newly elected administration, believing capacity to have been reduced too much, adopted a new management structure comprising a Chief Executive and 10 senior managers. Staff took up post to the current

structure between July and September 2013. The Chief Executive, who had been in post for three years, resigned in June 2013 and the current Chief Executive took up post in December 2013.

- 16 This review, therefore, followed several years of uncertainty at both management and member level. As it took place in March 2014, all references to Cabinet responses via interview or surveys are attributable to members of the former Cabinet.
- 17 Although the Labour group secured a significant majority at the May 2012 elections, many were elected for the first time and, as such, whilst able to demonstrate personal capabilities, had no experience of managing a major council. Whilst some basic training for elected members was provided following the May elections, no specific support for Cabinet members to assist them in the delivery of their roles had been made available. Over this period, vacancies at senior management level meant that a number of Cabinet members had no senior managers in post responsible for the management of the services within their portfolio.
- 18 A consequence of two management re-structures is that a large proportion of current senior managers at the Council have undergone periods of uncertainty about their future roles on two occasions in the past four years, and that staff in general have had uncertainty about their roles and positions in the Council.

The Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery

- 19 During 2013, the Wales Audit Office published two reports identifying weaknesses arising from a lack of clarity about priorities, a failure to properly evaluate performance, and inadequate performance management arrangements. In May 2013, the Chief Executive outlined to the Cabinet the risks and emerging challenges to the Council across all Cabinet portfolio areas, following which the Cabinet commissioned a Peer Review by the Welsh Local Government Association. The review, published in September 2013, highlighted a deterioration in systems and procedures over a number of years together with a lack of transparency in information being reported to members.
- 20 The *Corporate Plan 2014-2017* (the Plan) was adopted by the Council on 27 February 2014. In response to criticism of the previous plan by the Peer Review and the Wales Audit Office, the Council produced a more concise document with the aim of establishing a clearer focus on priorities.
- 21 The Plan identifies three priorities:
- economic development as the engine for growth and jobs;
 - education and skills for people of all ages to fulfil their potential and be well prepared for employment in the Cardiff economy and beyond; and
 - supporting vulnerable adults, children and young people in times of austerity.
- 22 The Plan includes sections aligned to the portfolio responsibilities of the former Cabinet setting out what directorates propose to do in respect of delivery.
- 23 Reference is made to 'directorate delivery plans' that 'sit underneath' the Plan and will provide the specific details about how priorities will be delivered. The directorate delivery plans were being developed at the time of our assessment. If developed as proposed, and used to drive performance they should be capable of providing the necessary framework for delivery.
- 24 In each section, the Plan lists the 'outcomes' it wishes to see. There is some confused use of this term – in some cases the outcome is clear, such as 'a net growth in jobs', in other cases what is listed is a measure rather than an outcome, for example, 'timeliness of initial assessments'. The Council needs to ensure that stated outcomes are clear and supported by an appropriate range of measures.
- 25 Variation in the way in which directorates describe outcomes, confused use of terminology and lack of clarity about the improvement sought in a number of instances mean that the Plan does not provide a clear reference point from which performance can be evaluated in the future. We will discuss the need for improved performance management arrangements in a later section.
- 26 In pages 6 and 7 of its report, the Peer Review clearly described the scenario facing the Council and proposed ways in which the Council could more clearly explain its vision and ambitions. It explained 'some English councils that have experienced the same challenges have articulated new visions for 'co-operative councils' in order to avoid mass outsourcing thereby falling into the role of a residual service provider'. Clarity about how the Council sees its future role in the delivery of services is essential because it provides the point of reference for decision making and expected ways of working. The Council recognises that the financial situation means it cannot continue to operate in the way it has previously but currently lacks a clear vision of the way in which it might deliver services in the future.

27 The new Leader has taken steps to establish a vision of the type of council Cardiff could be by indicating his intention to open discussion on the options for delivering services in the city. One option would involve building on the work of a network of 'co-operative councils'¹. This has led to the launch of the 'Cardiff Debate'. This is a wide reaching set of engagements with stakeholders ranging from strategic partners to communities and individual service users to explore the challenges facing the public sector, and exploring how best to address these challenges.

28 The Chief Executive has produced an Organisation Development Plan – a three-year programme to deliver that vision. The Plan was adopted by the new Cabinet in May 2014. The delivery of the Organisational Development Plan is by means of a programme underpinned by 10 principles which serve to expand what the Council's approach to establishing a Co-operative Council will involve. These principles include focussing on co-production of services with the people and communities who use them, shifting the emphasis of the Council to prevention and early intervention to reduce demand on key services, as well as taking a more commercial approach to service delivery. The principles also lay the foundations for the Council to become more progressive in its approach to service delivery, marking a shift to a 'commissioning' organisation rather than a direct service provider, open to collaboration, and adoption of alternative service delivery models.

29 The majority of the senior management team told us they were clear about the outcomes the Council was trying to achieve and 56 of the 91 operational managers we surveyed felt the same. Similarly, 20 of the 28 members who responded said they were clear about what the Council is trying to achieve.

30 The Council had conducted its own staff survey between November and December 2013. At 14.5 per cent (2,046 responses from 14,200 employees), the response rate was poor, indicating the Council needs to establish better ways of securing the views of its staff. The Council had asked for a response to the question: 'I understand how I contribute to the corporate plan'. Staff were asked how far they agreed or disagreed with the statement using a scale of 0 (disagree) to 10 (agree). The result was a rating of 6.02 which was described as 'a fair score – there is considerable room for improvement'.

31 The Leader and Chief Executive have recognised the need for better methods of engagement with staff. The Council has arranged seven staff 'road-show' events starting in May 2014 to improve communications and engage with staff as the new leadership seeks to implement its new ideas.

32 We understand that an immediate action emerging from the Organisational Development Programme, and its commitment to improve staff engagement, has been the launch of an employee engagement programme. This has included

re-focusing existing arrangements such as the Senior Management Forum to enable a greater dialogue with managers, replacing a previously top down, briefing format, and introducing new engagement activities such as employee road shows which have been attended by over 350 employees. The Council has also established a network of 'ambassadors' to help ensure that sustainable engagement techniques are established in each directorate. This is intended to provide a clear signal of the Council's intent to secure real and productive engagement with its employees.

33 Perhaps the most telling response from the staff survey was the response to the question 'On a scale of 0-10 how likely is it that you would recommend Cardiff Council as an employer to a friend' resulted in the lowest rating of 5.19. It was also considered a 'fair score' but with 'considerable room for improvement'.

34 The results of our interviews and focus groups indicate that there is broad awareness at senior level of the three areas identified as priorities in the Corporate Plan and of the financial challenges facing the Council but limited planning to support delivery. The Council's own survey suggests a need to improve the way in which priorities are translated into action to make them more meaningful to the staff engaged in delivery.

¹ The Co-operative Councils Network is a group of leading Labour local authorities who are adopting new co-operative approaches to transform the way local public services are delivered in their areas www.coopinnovation.co.uk.

Some processes intended to ensure good governance have not been implemented, leading to inefficient decision-making processes and a lack of transparency

35 Good governance should result in good management, good performance, good stewardship of public money, good public engagement and ultimately, good outcomes (*The Good Governance Standard for Public Services*, OPM and CIPFA, 2005). Good governance provides a framework of accountability to users, stakeholders and the wider community, within which organisations take decisions and achieve set objectives. When we reviewed the governance arrangements at the Council, we looked for evidence of:

- **Accountability:** Clarity of roles and responsibilities and evidence of people being held to account in their roles.
- **Efficiency:** Arrangements that supported timely decision making; co-ordination of activity; management of meetings (including agenda items and the outcome of meetings); content of agenda and purpose of reports; and the time spent in meetings.
- **Transparency:** The availability of information, the quality and balance of information.

Whilst many were clear about their responsibilities, people are not being held to account when failing to discharge their responsibilities

36 The role/terms of reference of committees, panels, standing orders, financial regulations and the role of statutory officers have been set out in the constitution and the Council has recently agreed role descriptions for elected member roles (based on generic Welsh Local Government Association role descriptions). Since joining the Council in August 2013, the Monitoring Officer has begun improving governance practices: this has included a review of the constitution and the development of new ways of supporting members to discharge their roles. One outcome has been the adoption of the Member Development Strategy by the Democratic Services Committee.

37 The Cabinet members we interviewed accepted they were accountable for the delivery of specific sections of the Corporate Plan, demonstrated knowledge of their portfolios and a willingness to take the lead such as in fielding questions in scrutiny. However, there was no formal appraisal arrangement in place for Cabinet members to help the Leader assess the effectiveness with which they discharged their roles.

38 Scrutiny committee members generally displayed an understanding of their roles and a willingness to challenge in scrutiny. Attendance of Cabinet members at scrutiny committee meetings and appropriate 'challenge' of Cabinet members by scrutiny members reinforce the accountability

and roles of non-executive and executive members, senior officers and scrutiny officers.

39 We also interviewed committee chairs (including independent chairs). They were clear about the remit of their particular committee but there was a general lack of clarity about how their specific roles integrated with delivery of priorities or supported the good governance of the Council. Twenty-seven of the 28 members who responded to the Wales Audit Office survey either agreed or strongly agreed that they were clear about their roles and responsibilities as a councillor.

40 Ninety-two per cent of the managers responding to our survey said they were clear about their roles and responsibilities. However, although a majority of respondents felt they were clear about their roles and responsibilities, there are significant examples in recent years of circumstances that have required remedial action by the new management team because of failures to properly discharge responsibilities in some service areas:

- During 2013, in response to a complaint from outside the organisation, the Council investigated procurement and contract management arrangements in a number of service areas. The investigation concluded that 'given the widespread, endemic nature of the non-compliance with Contract Standing Orders and Procurement Rules and other Council policies identified with the respective service areas, it would be inappropriate to seek disciplinary action with individual

officers'. Subsequent action has involved mandatory training for Council officers. The inability to take disciplinary action in this particular case means the Council has failed to hold anyone to account for such a significant failure.

- Since September 2013, a revised approach to major project management has been put into place because of failures in previous project management arrangements. For example, poor project management made it necessary to withdraw the registration of the children's home at Thornhill Road, just eight months after its opening. A number of weaknesses in decision-making processes in 2011 led to £1.67 million being spent on the development of a building that was ultimately not fit for purpose. These examples illustrate that, although there was clear guidance about how such projects should be handled, it had not been followed. If implemented as intended, the new arrangements should resolve this problem.
- In March 2014, the Internal Audit service reported that despite having identified issues with payroll overpayments in 2009, problems were still evident. The issues meant that only limited assurance about systems could be given following the most recent audit. The total value of overpayments identified in 2012-13 was £415,000. Despite being aware of the need to establish clear responsibilities for managing payroll processes since 2009, the Council, in March 2014, had taken no effective action.

41 Whilst these examples do point to significant lapses in compliance, we have been discussing our findings with the Council who have told us they are now pro-actively addressing the shortcomings. The Senior Management Team receives and discusses regular reports on contract compliance. This has been supplemented with individual meetings with directors and where training has been provided to improve compliance. Measures have been put in place to ensure that directors and headteachers understand their role and the importance of timely notification of leavers and this will be monitored on a regular basis. Whilst the Council encountered difficulty in taking disciplinary action against some staff members, it is investigating processes to determine if any further action is required to prevent a similar situation arising in the future. During 2013-14 the Council disciplined a total of 196 staff, with 22 of these being dismissed, indicating that where possible robust action is taken.

There are examples of both elected and lay members discharging their responsibilities well, but systems are inefficient leading to slow decision making and consideration of scrutiny recommendations

- 42 The Council's executive and scrutiny framework is clear. It includes the Council, the Cabinet, scrutiny committees, the Audit Committee and a number of other committees dealing with such matters as planning and licensing.
- 43 There is a high level of dedicated officer support for scrutiny, and scrutiny meetings are also well attended by senior officers (including the Chief Executive).
- 44 The scrutiny committee meetings we observed were well run, with a clear room layout that helped to reinforce accountability and the respective roles of members. Committee chairs ensured appropriate discussion and challenge by members. Scrutiny committee members considered their work to have value and our observation identified appropriate challenge.
- 45 Scrutiny work programmes for 2013-14 demonstrate a commitment to undertake a number of reviews throughout the year, including a number of in-depth task and finish groups (15 reports were produced by task and finish groups in 2012-13). Members we spoke to believed that scrutiny was playing a useful role in identifying potential improvement.

- 46 We reviewed the agendas of the Cabinet, scrutiny committees and the Audit Committee over the past six months. We identified a number of weaknesses. We found examples of lengthy reports that were not always clear about the purpose for presentation to the particular meeting; agendas with too many items for the time available; the same reports presented to different committees; and detailed reports being presented for information only.
- 47 Members of the previous Cabinet we interviewed referred to over-lengthy agendas. They spoke of a lack of consensus about which responsibilities were delegated to individual members of the Cabinet. At the time of this assessment, there were 15 scrutiny reports awaiting a response from Cabinet, seven from the period March to September 2013, four from the period September to December 2013 and four from January to March 2014. Scrutiny members we spoke to told of their frustration at the length of time taken before Cabinet considered their reports.
- 48 Our two surveys asked managers and elected members for their view about the effectiveness of the scrutiny function. Around 57 per cent of managers felt that the scrutiny process helped improve outcomes, although 27 per cent disagreed. However, half of the members who responded did not feel the Council was using scrutiny process effectively.

- 49 We also asked members whether arrangements for them to challenge key issues were effective; 20 out of 28 members felt they were not and 18 did not think that members were effective in assisting the Cabinet to develop policies. Overpacked agendas and lack of clarity about why items are being discussed have not helped.
- 50 Despite our finding that there is a high level of officer support for scrutiny, there were some emerging concerns that reductions in resources were hampering the speed/ quality of scrutiny work, and the Council is proposing to hold fewer council meetings in 2014-15 as a consequence of planned budget savings.

Arrangements for providing public records of meetings are weak, leading to a lack of transparency about decision making

- 51 In the course of this assessment, we sought information from the Council's website and expected to find easily accessible information about meetings, reports presented and decisions made.
- 52 A decision register and minutes are routinely published for all cabinet decisions but we found that some records of decisions and supporting information were absent from the Council's website, between January and April 2014, for example:
 - the Council's four scrutiny committees have met on 16 occasions;
 - minutes are available on the website for six of those meetings;

Whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past

- minutes are not available for 10 of those meetings; and
 - minutes are not available for two scrutiny meetings involving the 2014-15 budget and draft Corporate Plan, meaning that there is no public record of the role played by members in considering proposals at Children and Young People and the Environment scrutiny meetings.
- 53 We encountered other similar issues that led us to conclude there is an inconsistent approach to record keeping and updating the website; for example, although minutes of the Policy Review and Performance Scrutiny Committee meetings are available for 7 January and 13 February 2014, the minutes of meetings on 29 October 2013 and 26 November 2013 were not.
- 54 The scrutiny web pages are not kept up to date, for example, we were unable to locate committee forward work plans for the full year via the website, the scrutiny 'forward plan' document is not always updated and the scrutiny committee annual reports for 2012-13 had not been added to the website several months after being approved.
- 55 Eleven of the 28 councillors responding to our survey said that they did not find it easy to find out what key decisions have been taken. One stated: 'I find it difficult to access any key decisions immediately. We are only told when the decision is final or about to be implemented. We need to be consulted way in advance and given the chance for input. Also figures I have requested have not been forthcoming and unless I am prepared to put in an FOI, I may not see them.'
- 56 The *Annual Complaints Report 2012-13* (presented to Cabinet in December 2013) provides some explanation for the levels and causes of complaints in various service areas. However, in some instances, outcomes of the complaint handling are presented as positive without sufficient explanation of the reasons for complaints or the action the Council intends to take. There is little explanation of the Council using the information to understand trends/take corrective action to improve service quality/customer experience.
- A change of approach to performance evaluation and management is emerging**
- 57 The Council had a long established process of providing what it described as 'delivery and performance' reports covering a three-month period. In September 2013, the Peer Review described the Council as 'data heavy and information light' and that 'a drastic overhaul of the current systems' was needed. There had been limited progress in changes to performance reporting by March 2014. Nevertheless the current Leader and Chief Executive have recognised the need for improvement of arrangements, both in terms of the nature of information provided and the need to provide greater transparency and challenge. Early indications are that necessary changes have been identified and plans for change are beginning to be implemented.
- 58 The programme of organisational change adopted by Cabinet on 15 May 2014 recognises the need to establish a system that provides members with assurance about the overall quality of services. This has not been achieved by previous efforts to tailor the existing system. The Council tells us that the aim of the emerging arrangements is to ensure change will be secured through a fundamental change in performance culture, where open and honest debate about performance issues becomes the norm, and is used to drive focused improvement.
- Performance management arrangements in the past had not consistently driven improvement and performance is comparatively weak in two of the Council's three priority areas**
- 59 The Welsh Government requires all councils to report on a common set of indicators to enable a comparison of performance in key service areas across Wales. Thirty National Strategic Indicators (NSIs) have been set that cover the Welsh Government's strategic priorities in education, social care and waste management. There are also 14 Public Accountability Measures (PAMs) chosen to reflect issues of importance such as support for carers, school attendance and the condition of highways.
- 60 Data for 2012-13 showed that the Council was amongst the top five performers for six of the 30 NSIs and amongst the bottom five performers in 12 of the 30. In recent years, the Council has sustained improvements in waste management and in the provision of disabled facilities grants but within education and social services (two of its priority areas) it has remained amongst the worst performers. The Council is amongst the bottom five performers for seven of the 14 PAMs and is not amongst the top five performers in any of the indicators. Whilst there was improvement in six areas measured by the PAMs 2012-13 compared to the previous year, five got worse.
- 61 The top priorities of the Council are:
- economic development as the engine for growth and jobs;

- education and skills for people of all ages to fulfil their potential and be well prepared for employment in the Cardiff economy and beyond; and
- supporting vulnerable adults, children and young people in times of austerity.

62 Data available for social care and education shows weak comparative performance for key indicators compared to the rest of Wales with limited comparative improvement in recent years.

The Council faces significant challenges in social care and performance compares unfavourably with other councils in Wales

- 63 Exhibits 1 to 3 compare the Council's performance in the Welsh Government's social care indicators with other councils in Wales.
- 64 Exhibit 1 shows the time that older people have to wait before being able to be discharged from hospital to more appropriate care. Until 2009, the situation

had been improving. However, since 2009-10, Cardiff's performance has deteriorated with the rate increasing year on year, and in 2012-13 older people in Cardiff were waiting significantly longer to be discharged from hospital compared to the average across Wales.

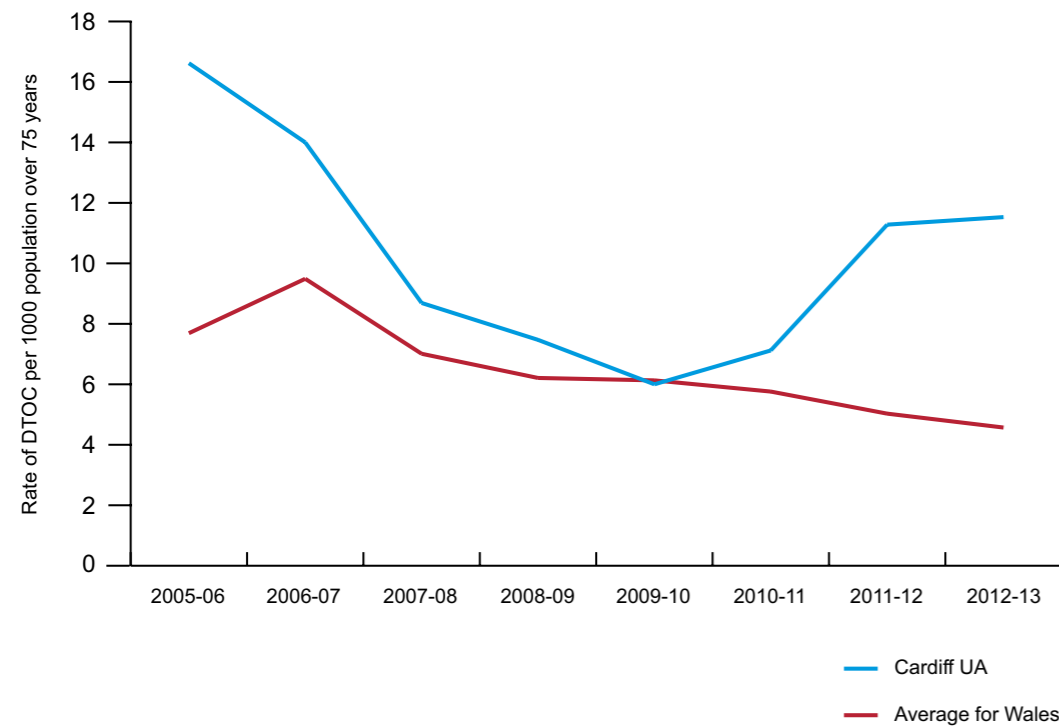
65 The overall number of people in our society with health or care needs is rising. Exhibit 2 shows that the Council supports fewer older people in the community, than the Wales

average, which could suggest that in Cardiff, those with health or care needs are not being reached.

66 Nevertheless, the Council continues to be a top performer in the provision of disabled facilities grants and it has been consistently reducing the number of days taken to deliver a disabled facility grant. Exhibit 3 compares Cardiff's performance with the Welsh average.

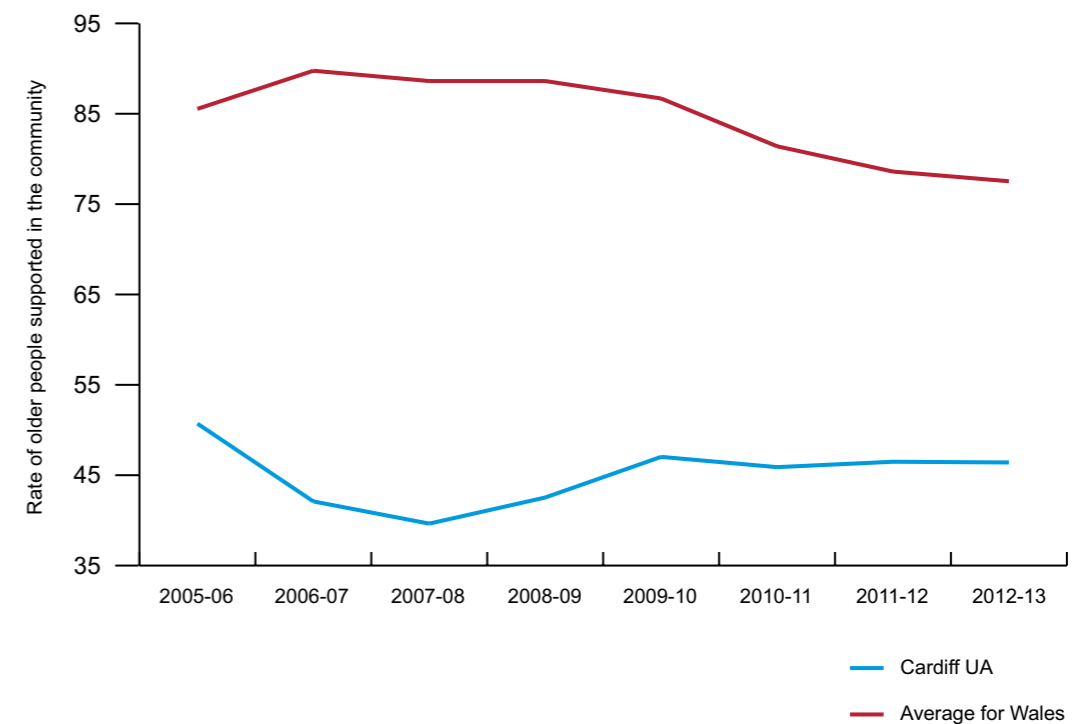
Exhibit 1: Rate of population that experienced a delay in their transfer of care for social reasons 2005-06 to 2012-13

Older people in Cardiff are waiting longer for appropriate care and delays are increasing.



Source: Welsh Government, National Strategic Indicators

Exhibit 2: The rate of older people supported in the community 2005-06 to 2012-13
Cardiff's performance has, for the last eight years, been significantly below the average for Wales.



Source: Welsh Government, National Strategic Indicators

Exhibit 3: Delivery of disabled facilities grants Wales comparison

The Council is amongst the top performers in Wales.

	2009-10	2010-11	2011-12	2012-13
Cardiff (calendar days)	189	307	220	155
Wales ranking	1st	7th	4th	2nd

Source: Welsh Government, National Strategic Indicators

67 The CSSIW published its *Annual Review and Evaluation of Performance 2012/13* (the Evaluation) about the Council on 28 October 2013. A copy of the report can be found at www.cssiw.org.uk/our-reports/local-authority-report/2013/cardiff-annual-evaluation/?lang=en.

68 The Evaluation sets out the key areas of progress in 2012-13 and areas for future improvement covering adult services and services for children. The summary reads as follows: 'Cardiff social services continues to face significant demands and challenges in meeting the needs of a diverse population. The loss of senior managers and the use of interim arrangements at a time when the department was going through change provided opportunities for development. However, it also created challenges in the day-to-day delivery of social services. Partnership working with the Vale of Glamorgan Council remains a strong feature of the planning and delivery of services. Arrangements to implement a joint safeguarding children's board have progressed during the year and it is

anticipated these will become operational in the coming year. The annual report of the director of social services highlights a range of achievements and developments in service delivery. It is a positive report which references improvements over the last year. The report outlines priorities for action and improvement in both adult and children's services, but does not fully reflect the risks associated in both the delivery of services and the restructuring of services in key areas.'

Education performance remains comparatively weak and a high proportion of looked-after children are leaving school without a qualification

69 In January 2011, Estyn, Her Majesty's Inspectorate for Education and Training in Wales, judged the Council's education service to be 'adequate' with 'adequate' prospects for improvement. Estyn judged the Council to require further monitoring visits to review progress, and the previous Chief Executive and political administration set up an Improvement Board that was intended to resolve issues and drive improvement. In February 2014, Estyn inspectors carried out a final monitoring visit and on 28 March wrote to the new Chief Executive with the results.

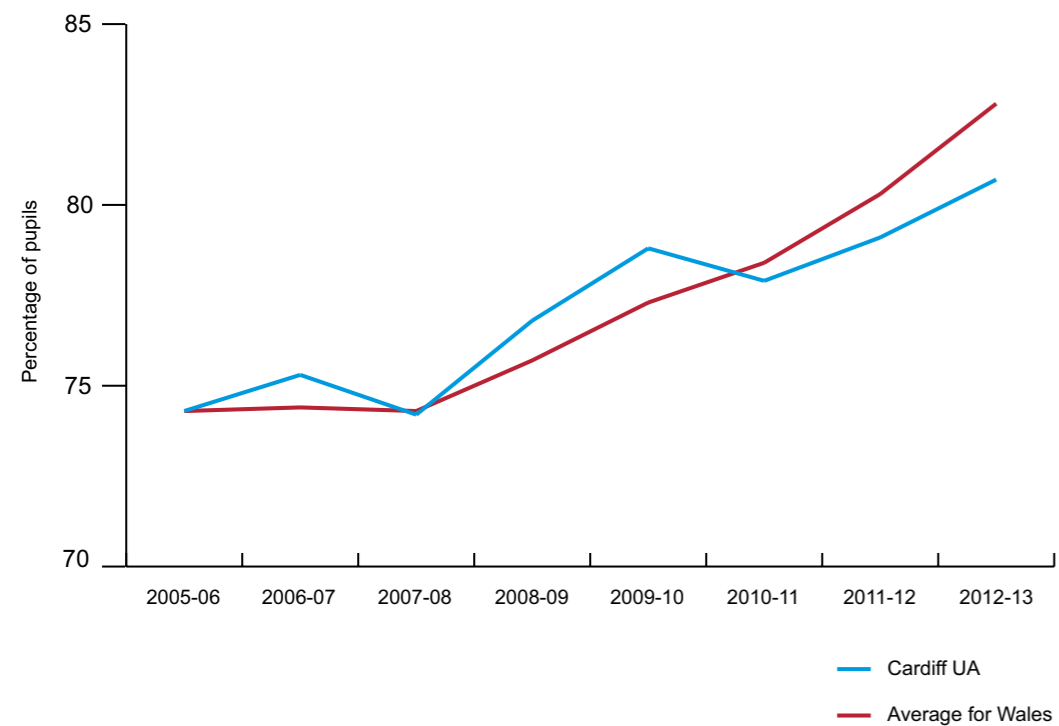
70 Whilst recognising the impact of significant turnover in senior management posts, including that there were periods where key posts were unfilled, the latest Estyn report concluded that in the three years since the original inspection 'most outcomes for children and young people have not improved well enough'. The report also stated, 'Performance management processes have not been robust enough to ensure there has been suitable progress in meeting the authority's objectives. This is evident through the wide variations in performance in the authority's schools and the relatively high proportion of schools judged to be in need of follow-up activity. The authority gathers a wide range of data to track progress with specific initiatives.

However, it has not consistently analysed and evaluated this information robustly enough to measure progress accurately, identify those key areas that require improvement and to target initiatives effectively.'

71 Exhibits 4 to 7 compare the Council's performance in education indicators with other Councils in Wales.

Exhibit 4: Education results key stage 2²

Cardiff has achieved some improvement in its overall key stage 2 results, but is behind the rate of improvement seen in the overall average for Welsh councils.

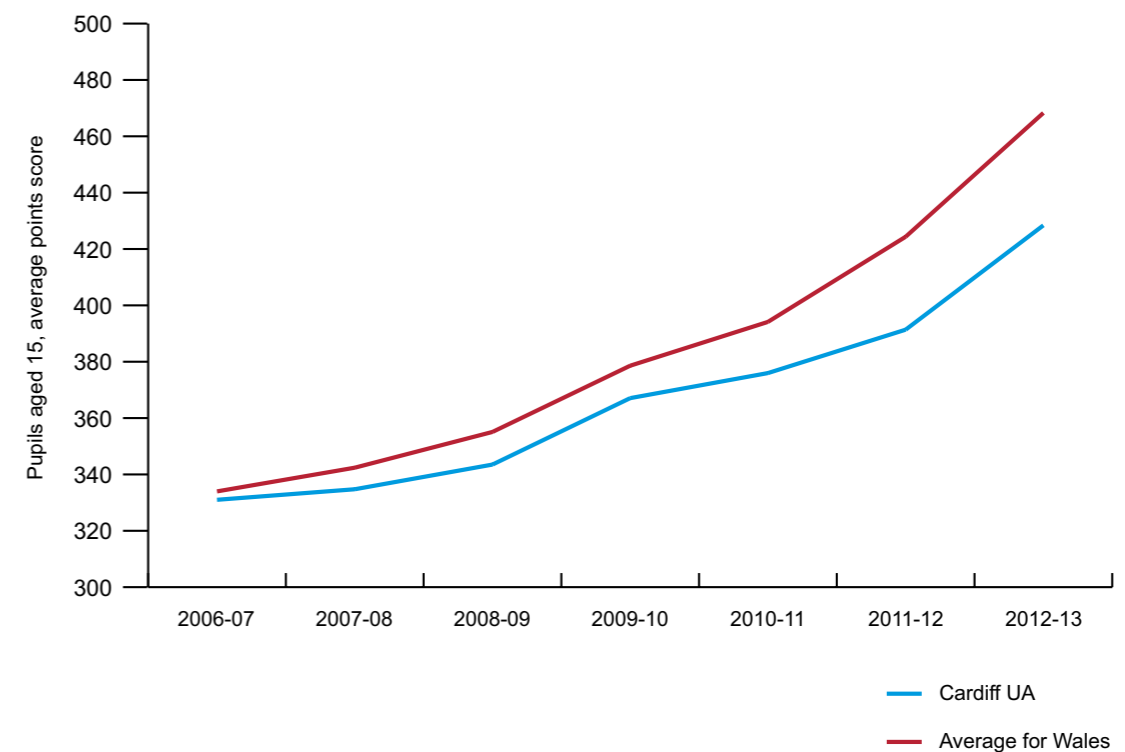


Source: Welsh Government, National Strategic Indicators EDU/003

² The percentage of pupils assessed at the end of key stage 2, in schools maintained by the local authority, achieving the Core Subject Indicator, as determined by Teacher Assessment.

Exhibit 5: Education results key stage 3³

Cardiff has achieved some improvement in its overall key stage 3 results, but is behind the rate of improvement seen in the overall average for Welsh councils.

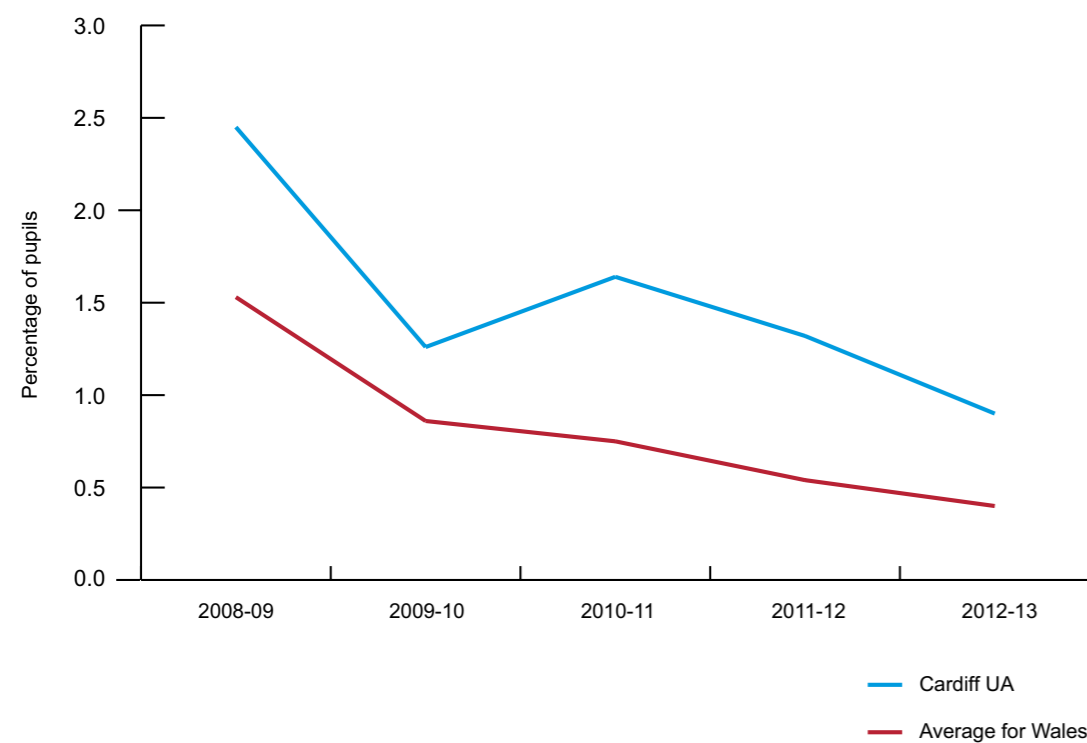


Source: Welsh Government, National Strategic Indicator EDU/011

³ The average point score for pupils aged 15 at the preceding 31 August, in schools maintained by the local authority.

Exhibit 6: Pupils leaving school without any qualifications

Cardiff has achieved some improvement in the percentage of pupils leaving school without a qualification. The trend in improvement is faster than the average for all Welsh councils.



Source: Welsh Government, National Strategic Indicators

72 Whilst there has been some improvement in the percentage of all pupils leaving school without a qualification, looked-after children in Cardiff are not experiencing such improvement.

Exhibit 7: Looked-after children leaving school without a qualification

	2009-10	2010-11	2011-12	2012-13
Cardiff	7.69%	14.29%	11.1%	23.6%
Wales average	6.36%	6.48%	3.48%	5.72%

Source: Statistics Wales

The Council is undertaking a broad range of activity which is helping to reduce the relatively high numbers of young people who are not in education, employment or training

73 Since the May 2012 elections, the Council has made it a priority to reduce the number of young people who are not in education, employment or training (NEET). This is reflected in a range of strategic documents and drives activity in a number of service areas. Cardiff has seen substantial falls in the proportion of 16-18 year olds who are NEET in recent years, which officials attributed to a wide range of activities including: raising standards at key stage 4; a wider curriculum offering more vocational options and progression routes; and the deployment of learning coaches. The Council's 2013 strategy recognised that any reduction will need to be more rapid if it is to meet its vision of all young people being in education, employment or training.

74 Data shows that the percentage of year 11 school leavers known to be NEET in Cardiff fell from 8.9 per cent in 2009 to 6.7 per cent in 2012. Data for 2013 is expected in May 2014.

75 During May and July 2013, a Wales Audit Office team visited eight councils in Wales (including Cardiff) to inform a national study on NEETs. We found a range of positive practice within the Council but also identified that the Council, like many others, needs to strengthen performance management arrangements and ensure consistent understanding across the Council of underlying issues and how roles and responsibilities need to be discharged in order to meet education and training objectives.

Exhibit 8: The percentage of year 11 (16-18 age range) school leavers known to be NEET Cardiff and Wales average
 The percentage of 16-18 year olds who are NEET has fallen in Cardiff but remains higher than the Wales average.

	2009	2012
Cardiff	8.9%	6.7%
Wales average	5.7%	4.2%

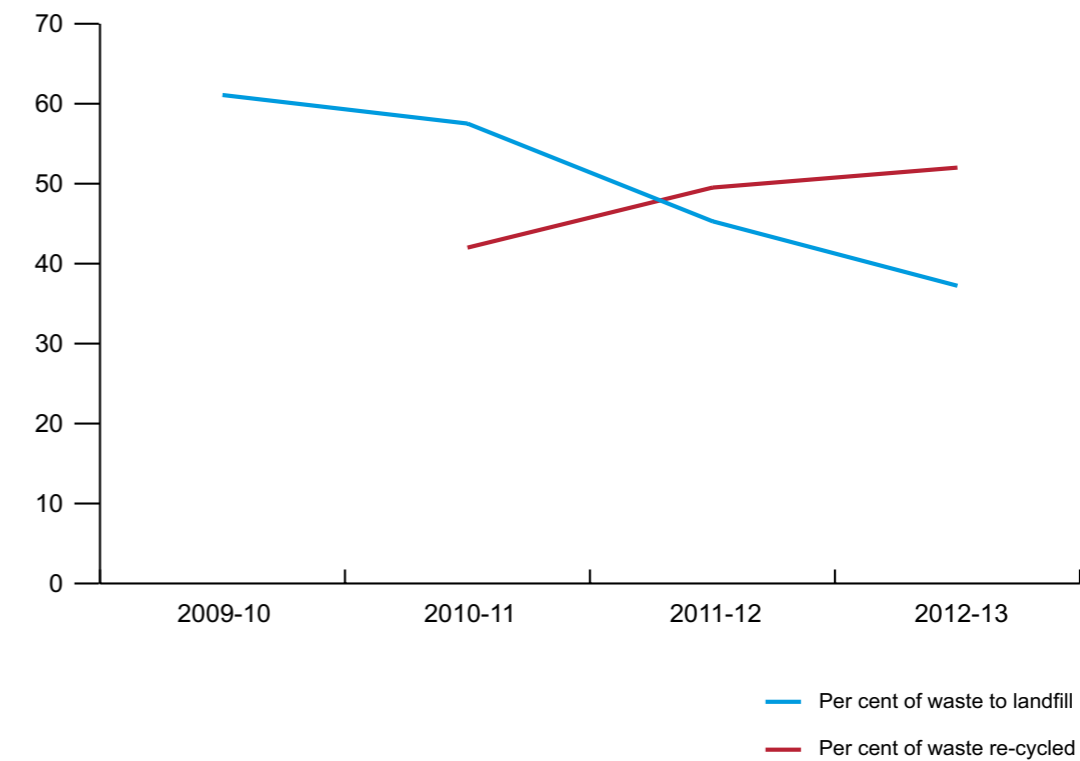
Source: Wales Audit Office analysis of Careers Wales data supplied by the Welsh Government, 2012

76 Whilst Welsh Government statistics for the whole of Wales showed a reduction in the proportion of 16 year olds who are NEET over the period 2009 to 2012, the proportion of 18 year olds NEET rose from 17.9 per cent to 20.1 per cent. As part of its continuing strategy, the Council, like most others, needs to establish a clear understanding of its aims and objectives for young people aged 19-24.

Waste management performance has improved

77 The Welsh Government expects councils to help citizens recycle waste, and collects information about recycling rates as well as about the different types of service provided by different councils. The Welsh Government has set targets for all councils in Wales to improve the amount of waste recycled and reduce the amount that goes to landfill. The Council has been undertaking a range of initiatives to improve recycling and reduce the amount of waste going to landfill. It met the Welsh Government recycling target of 52 per cent in 2013.

Exhibit 9: Waste management performance for Cardiff
 Waste management initiatives have been driving improvement: waste to landfill is reducing and recycling is increasing.



Source: Welsh Government: Statistics Wales

The Welsh Language Commissioner identified planned improvements by the Council

- 78 The role of the Welsh Language Commissioner was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Welsh Language Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 79 The Welsh Language Commissioner works with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Welsh Language Commissioner outlining its performance in implementing the language scheme. The Welsh Language Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

- 80 The Council has been working on developing an integrated corporate database to record the language choice of city residents for some time. The Council has not completed the work this year but the project has moved forward following a visit to a local authority that has already succeeded in developing a comprehensive database. The completion of this work is a priority for the Council during the next period. In an effort to promote the Welsh language in the capital, the Council is organising a conference 'Cardiff: A Bilingual City' to celebrate the Welsh language and start the process of creating a Welsh language action plan. As a result of internal restructuring, there was a delay in the provision of Welsh language training and language awareness training for Council staff. It is intended that those members of staff who have already been trained to provide internal training will start on their work shortly. Further to that, e-learning modules will be introduced to strengthen the Council's commitment to staff training.

Previous corporate performance reporting has failed to drive improvement

- 81 Some changes were made to the content of the delivery and performance report for quarter three (ending 31 December 2013) presented to Cabinet on 13 March 2014. However, the report still contained over 90 performance indicators with no links between performance, service quality/ activity and finance. These reports are presented to Cabinet and Policy Review and Performance Scrutiny Committee, but provide little information that enables assessment of service quality. They are typically presented some four to six months after the end of the period to which they apply, thereby rendering them of little value in managing performance.
- 82 We reviewed the delivery and performance reports and also assessed the quality of the Council's own assessment of its performance in 2012-13. The Council had published its *Annual Performance Report 2012-13* in October 2013. While it had introduced data that allowed comparison with other councils in Wales, this report demonstrated the same weaknesses we had identified the previous year in that it did not properly evaluate performance by drawing attention to both less favourable and improving performance.

- 83 Our interviews and reviews of minutes of meetings identify that members have been seeking improvements in performance reporting for some time. There have been times when the Council appeared to be planning detailed changes which did not come to fruition, such as in May 2011 when a draft Performance Management strategy was produced but never finalised or implemented. The approach in the past has been to undertake small-scale changes to the existing reporting mechanism which have not resolved basic weaknesses. Consequently the Council still lacks timely, relevant information to enable it to assess service quality.
- 84 The approach to the Council's new performance management framework recognises that change must be secured through a fundamental change in performance culture, where open and honest debate about performance issues is the norm, and is used to drive focussed improvement. Changes implemented since February 2014 include:
- Directorate Delivery Plans have been put in place across the authority, providing clear milestones and performance indicators against which the delivery of the Corporate Plan can be monitored;
 - monitoring and reporting cycles for finance and service performance information have been aligned to afford the Council greater visibility of its overall performance position;

Although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means current methods of service delivery are unsustainable

- Senior Management Team performance challenge meetings have been initiated on a monthly basis;
- joint Cabinet and Senior Management Team performance challenge meetings have been initiated on a monthly basis;
- scrutiny of performance information prior to formal Cabinet consideration has been established;
- Accelerated Improvement Support – led by the Chief Executive – has been established for targeted services, including Children’s Services and Education, utilising a mix of internal support and external peer support and challenge;
- a Challenge Forum drawing together senior Members and officers, together with external peer support, has been established to test and challenge the Council’s progress against its improvement journey;
- an extensive staff engagement programme has been undertaken to raise awareness of, and involvement in, the improvement journey; and
- the Personal Performance Development and Review process has been simplified and the need for compliance clearly articulated.

Service-based budget information has improved and members are seeking earlier involvement in budget options appraisal

- 85 During the budget planning for 2014-15, which began in the summer of 2013, the Council’s finance team produced budget briefing documents (including service specific profiles) for the new senior management team. This information was also shared with members of the former Cabinet during the summer of 2013 and finance managers attended October/November 2013 Scrutiny Committee meetings to explain the information available at that stage. These documents were subsequently included in the papers circulated to all members in February 2014 as the budget was finalised and provided essential insight into service budgets. They identified key areas of expenditure and those aspects of a budget that are afforded a degree of ‘protection’ – either because of requirements of the Welsh Government or because of policy decisions by the Council.
- 86 In December 2013, the Council published its *Budget Engagement Report*, a detailed 56-page document which explained the consultation exercises undertaken since July 2013 and the influence engagement had on establishing priorities. The Corporate Director (Resources) in addition to providing Cabinet briefings had provided briefings for the leaders of the other political groups and their budget spokespersons.

- 87 Over the period 10 to 13 February 2014, the Council’s scrutiny committees were asked to consider budget proposals. The Council adopted the budget on 27 February. All members we spoke to were of the view that this provided insufficient time for proper scrutiny and consideration of alternative options, and wished for earlier engagement in the budget process. The draft Corporate Plan was also presented at these scrutiny meetings prior to adoption on 27 February, meaning that members needed to assimilate a large amount of detailed information within a short space of time.
- 88 The need to improve engagement with members, with local communities and with service users has been recognised by the current leadership and plans are in place for engagement to resume from April 2014. The work that the Council has done over the past eight months in improving information to the public about how it spends its money provides a strong foundation for the further development of arrangements.

There is a high risk that savings targets for 2014-15 will not be achieved and longer-term savings requirements are unlikely to be met if current methods of service delivery are sustained

- 89 In February 2013 the Medium Term Financial Plan estimated that the Council would need to find a £27 million shortfall in its budget for 2014-15 based on the latest indicative information from Welsh Government as stated in the budget report. Following the Chancellor’s budget in March 2013 and a

Corporate human resource arrangements are founded on positive practice but are not being implemented consistently

letter from the Welsh Government in May 2013 indicative changes to the revenue support grant meant that by July 2013, when the Council was preparing its budget strategy for 2014-15, this shortfall had increased to £33 million. In October 2013 when the Welsh Government published its Provisional Financial Settlement the actual reduction in revenue support grant meant that the Council would need to secure in the region of £50 million in savings in 2014-15.

90 The Council's revenue budget for 2014-15 is £585,288,000. In practice, the bulk of the £50 million savings had to be found from a significantly lower figure. Elements of education budgets are allocated as a consequence of Welsh Government requirements so the Council is unable to consider using this funding for any other purpose, and to support delivery of its priorities elements of social care have been afforded a degree of protection. The Council has identified what it describes as a 'controllable' budget of around £250 million from which the bulk of the £50 million savings are drawn.

91 The Council has produced a schedule of the proposed savings to be made during 2014-15 on a directorate basis. We reviewed the schedule in March 2014 and had concerns about the proportion of proposals classified as at a 'general' rather than 'detailed' stage of planning and of proposals for income to be increased when reductions in the number of staff were also taking place. Whilst it was clear that opportunities to purchase services in a different way were

being planned, timescales for achieving the estimated savings were less clear. This risk has been recognised and close monitoring arrangements have been established to track progress 'in year'.

92 The Council's finance team works closely with services to track actual savings and by April 2014 plans were being described as 'detailed'. Monitoring arrangements have improved in the past year because proposed savings are now being tracked when previously expenditure in relation to budget allocated had been the focus. However, the Council estimates it will fail to meet its 2013-14 target by around £5.7 million. Given the scale of savings to be achieved, there is a high risk that the Council will not achieve planned savings in 2014-15.

93 In the longer term, the Council recognises that it is unlikely to be able to achieve the necessary savings from its 'controllable' budget – this is because this budget is reducing significantly as a result of both current pressures and demand for social care services in particular is projected to increase, placing extra demand for finance. It is of the view that to manage within probable future finance it must reconsider the way in which services are delivered, continue to pursue improvement and efficiency, and give further scrutiny to the budgets allocated to 'protected' areas.

94 In 2013-14, the Council employed 11,677 staff. We looked at how well it was using this significant resource by:

- reviewing absence management arrangements;
- considering the effectiveness of appraisal and personal development; and
- following up progress which we identified in 2012.

95 In this section, we provide the headline messages and recommendations arising from our reviews. We have also provided more detailed feedback to the Council.

Corporate arrangements to manage sickness absence have improved but need to be consistently applied

96 Since 2011, the Council has sought to improve its management of sickness absence. In 2011, the Policy Review and Performance Committee produced a report which suggested the adoption of 19 recommendations to improve the management of sickness absence. Until recently, the level of sickness absence had remained fairly constant at a level above the Council's target of 10 full-time equivalent days of sickness absence per year. The latest figures available from the Council show an improvement although there remain a number of service areas such as environment and children's services where the days lost remains high.

Exhibit 10: Full-time equivalent staff days lost per year because of sickness absence is beginning to improve

2011-12		2012-13		2013-14	
Target	Actual	Target	Actual	Target	Actual
10 days	11.49 days	10 days	11.71 days	10 days	10.18 days

Source: Cardiff Council quarter 4 performance reports March 2012 and March 2013: data has not been subject to audit.

- 97 Corporate policies and procedures for the management of sickness absence are based on best practice models. The Council launched a new Attendance and Well-Being Policy during the summer of 2013. This policy incorporated the majority of recommendations made in the 2011 scrutiny report. The Council has defined key actions to reduce sickness absence levels and introduced support arrangements for managers. Support includes access to a central team of advisers.
- 98 We interviewed managers from a number of different services and found that corporate sickness absence arrangements are not consistently applied at service level. Some services have been proactive in implementing measures to manage sickness absence such as providing additional training for managers or taking preventative measures such as utilising health checks and flu vaccinations. However, some managers are not held to account within their directorates for managing sickness absence.
- 99 The Council has been monitoring overall sickness absence as well as absence levels in all service areas. It has not evaluated how well policies and procedures are being implemented, and the positive practices in some service areas are not being captured and implemented more generally.

The Council has sound arrangements to undertake individual performance review but training and development opportunities are not fully integrated with directorate reviews

- 100 The Council has a standardised system that governs the way that individual performance should be assessed across services and is intended to make the process easy to use. The system records the outcomes of discussions between managers and staff covering objectives, performance and development needs. Overall, the expected two reviews per year and suggested content reflect positive practice for a performance management system in a large organisation.
- 101 The system expects links to be made between corporate priorities, service targets and individual objectives to enable a clear understanding of how individuals support delivery of corporate and service objectives. There are comprehensive guidance notes for both managers and staff which are straightforward and easy to use.
- 102 Training for managers has been delivered by HR People Services and ongoing support can be accessed on an individual basis if managers are unclear about how to use the system. Therefore, there is adequate support and advice for managers to implement the system.

- 103 As well as undertaking appraisals, councils need to ensure staff are equipped for their current roles and equipped for managing future demands. In January 2012, we reported that: 'The Council has recognised the need to ensure its staff both understand the rationale and approach to change and are provided with the skills and knowledge to deliver change and improvements. The Cardiff Council Academy (the Academy) developed via the People and Leadership Transformation Programme is the means by which the Council proposed to meet that need.'
- 104 The Academy approach aims to ensure effective strategic planning of people development as well as the delivery of learning and development in the context of transformation, service improvement and making the best use of resources available. The Academy has a number of streams of activity, some leading to nationally recognised qualifications, others designed to meet the needs of both the Council and individuals as transformation progresses.
- 105 As part of our review, we considered whether the Academy was fulfilling its intended purpose. We found that although a number of good examples of development opportunities were being pursued, the Academy was not well integrated with plans at directorate level:
- The Council's intranet states that the Academy consists of all learning and development opportunities within the Council but we found it only includes those provided through the Academy and not those arranged and/or delivered by services.

- The Academy was intended to encourage a joined-up approach to identifying development needs using the appraisal system guided by a competency framework (to identify the most appropriate level of courses required). But there are no mechanisms to assess whether this is working in practice.

- 106 In 2012-13, the Council spent approximately £4,600,000 on external training. There appears to be scope for it to examine further the ways in which training is currently organised to determine the potential for savings.

Workforce planning is not aligned to the delivery of Council priorities

- 107 The Council does not have a workforce strategy. Its service delivery plans are not framed in the context of the current financial challenge and its performance management system is not based on clear standards of delivery. Therefore, the 'building blocks' for a workforce strategy are absent.
- 108 The Council has used voluntary severance and deletion of posts to reduce its costs. The Council has a process for considering voluntary severance requests whereby it has to be demonstrated that the work associated with the post can be done by others under existing roles or as a development opportunity. The Council is also planning to compare the skills/experience of those staff who wish to leave but have not yet had voluntary severance approved, with those staff in the redeployment pool who do not wish to leave.

The Council is improving its use of information technology and its information management arrangements

The Council is improving its use of information technology

- 109 In 2009, the Council entered into a long-term 15-year strategic IT partnership with TATA Consultancy Services (TCS). The aim of the partnership was to accelerate the Council's transformation process to deliver service improvements and efficiencies. This strategic partnership is in its fifth year and has a breakpoint in November 2014. The Council is currently giving consideration to the future of this arrangement.
- 110 Although there has been progress during 2013-14 the Council is, in some respects, behind other councils in Wales in the deployment of new initiatives using technology to deliver service modernisation and improvement to support business transformation.
- 111 The Council has recently completed a restructure of its ICT service and is revising its arrangements for developing, using and supporting technology. There is some evidence to suggest these changes could support continuous improvement:
- The Council is aware of the key actions that need to be taken to improve its arrangements to secure efficient, effective and economical use of technology resources.
 - At the time of this assessment, the Head of the ICT service was redrafting the Council's ICT strategy. The new ICT strategy should be aligned to the Welsh

Government's National ICT Strategy for the Public Sector in Wales and has the potential to lead to improvement although it is still being developed and is not yet fully implemented.

- 112 Planned and recent changes include:
- From 1 April the Council's new Electronic Document Records Management System (EDRMS), SharePoint 2010 is being established.
 - The first phase of a new Customer Relationship Management (CRM) system in 2014-15 is to replace C2C with the development of 'single view of a customer' service. This will provide citizens with more options and easier access to services.
 - Mobile work scheduling in early 2014 was piloted in Community Maintenance, then in 2014-15 highways, schools, parks and transport/fleet, and adult services. The aim is to speed up the process of ordering and completing work so that services become more responsive to tenants and other clients.
 - Improvement of the Council's website from April 2014 in response to a poor rating by professional standards and with the aim of improving 'self-service' options for users.

The Council has taken action in response to the Data Protection Act undertaking notice made by the Information Commissioner in August 2013

- 113 In recent years, the Council has faced a series of complaints about the length of time taken by the Council to respond to information requests. The Information Commissioner's Office reviewed the Council's arrangements to process requests and overall compliance with Data Protection Act requirements. In August 2013, the Information Commissioner found that there were systemic failures in the Council's arrangements and issued an 'undertaking notice' which required the Council's data controller to process personal data in accordance with legislative requirements.
- 114 Since August 2013, the Council has drafted an Information Governance Strategy and Information Management Strategy which was scheduled for Cabinet approval at the time of this assessment.

The Council is not managing its land and property assets well

- 115 A report to Cabinet in January 2013 referred to the Council owning, or having an interest in, a large property estate with a current use value of approximately £1 billion. This comprised 523 operational buildings used to deliver Council services. Apart from staffing costs, expenditure on the operational estate represents the next largest call on the Council's revenue budget. Currently, the running cost of property stands at approximately £48 million per annum, with a maintenance backlog of almost £100 million.
- 116 In 2010, following a detailed assessment of the Council's asset management arrangements, we reported that the Council had adopted an Asset Management Plan which 'did not have sufficiently robust plans or strategies to enable effective management of property', and there was no framework in place to support it.
- 117 Because of the importance of asset management, we reviewed progress in 2011. We found that good progress had been made following the appointment of a Corporate Property and Estates Manager and implementation of a corporate approach to decision making about the use of the Council's property assets. The Council still needed to improve the information available for assessing whether it was making the best use of resources but it had recognised this and was clear about next steps.
- 118 In 2013, however, we found that progress had stalled over the past two years and arrangements were not ensuring the best use of resources. The Peer Review also found that: 'The current property holdings of the Council are extensive. There are plans to make this more efficient, but there did not seem to be the urgency that might be expected in interviews with Officers. This programme offers short term revenue savings and longer term capital receipts.'
- 119 During our assessment, we found that the responsibility for corporate estates management had been transferred to the Director of Economic Development. Although there was clarity about the issues that remained to be addressed, the Council lacked a clear strategy for realising the aspirations in its Corporate Asset Management Plan. The latest *Corporate Improvement Plan for 2014-2017* sets out the Resources and Economic Development commitments to explore new ways of working, which include the development of a new Property Strategy.
- 120 We also found a number of factors that the new leadership will need to address if it is to establish a culture where property is viewed as a corporate, rather than a service, asset:
- An Asset Management Board was set up as the principal forum for decision making at senior officer level for all decisions concerning property. However, the Board did not include representation from all property-owning directorates, reporting arrangements lacked clarity and it has not met since April 2013.
 - There is a range of property management information systems across the Council which are not sufficiently joined up and co-ordinated and have no direct link to financial information. The absence of easily accessible and accurate information for the property estate will inhibit a corporate oversight of property performance, effective risk management, and the ability to make informed and timely decisions.

The Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens

121 The Council works in a range of different ways with a variety of external partners. We looked for clarity about the purpose of collaboration and whether the results being achieved were achieving intended outcomes. To establish a view, we looked at a sample of the activities in which the Council is engaged.

Improved outcomes are being achieved through the work of the Cardiff Partnership Board

122 In 2009, the Council began working with key statutory and voluntary partners, such as the police, the fire and rescue service, the health board, and Voluntary Action Cardiff to develop a single integrated strategy to meet the statutory responsibilities of individual partners and provide a structure for delivering their shared objectives. During 2010, partners developed the ways in which they intended to evaluate the impact of what they were doing. They undertook a strategic needs assessment and, from December 2010 to March 2011, undertook detailed consultation to find out what mattered to citizens and businesses. This culminated in the publication of *What Matters 2010:2020 – The 10 Year Strategy⁴ (What Matters)* for Cardiff which provides the focus for delivery of the activity of the partnership.

123 The Cardiff Partnership Board, comprising senior people from partner organisations, oversees the delivery of activity via neighbourhood teams and specific programmes (such as Families and Young People). The neighbourhood teams and programmes focus on addressing the issues identified in the original needs assessment. Strategic leadership is provided by the Cardiff Leadership Group drawn from partner organisations and includes elected member representation. This group shapes partnership working and considers the programme and work-streams based on a continuing review of issues.

124 From the outset *What Matters* established the principle that success would be evaluated in terms of the outcomes being achieved. There is a structured review process at neighbourhood and programme level, and annual reports have been produced for 2011-12 and 2012-13. These report against the seven key objectives of *What Matters* in terms of how much has been done, how well it has been done and identifying whether anyone is better off as a result. The reports identify general progress in the approach taken by partners and refinement of reporting systems. They also report both successes and continuing challenges.

125 The Council has given a commitment to continued partnership working in its recent Corporate Plan and service delivery plans are being developed that will include associated activities. The Council is also actively involved in the further development of the partnership. It has responded positively to a report published in December 2013 which reviewed current arrangements and identified potential opportunities for development of the partnership as well as potential joint working with the neighbouring Vale of Glamorgan Local Service Board.

Neighbourhood management is engaging effectively with communities to address local issues and the Council is strengthening collaboration across its own services

126 Neighbourhood delivery is one of the key means by which the needs identified in *What Matters* are being addressed at a local level. Six neighbourhood teams are made up of people who work for a number of different organisations who have been brought together with the common purpose of seeking solutions to local problems.

127 Since 2011, we have been monitoring the progress being made at neighbourhood level, first reporting in January 2012 about the plans being put in place, and in July 2013 about the impact being achieved.

128 In July 2013, we recognised continuing progress and concluded that: 'Working collaboratively with partners the Council engages with citizens to identify local priorities and supports schemes which deliver improvements but the sustainability of arrangements and performance management need further development.'

129 Neighbourhood management arrangements were effectively engaging, consulting and involving citizens in identifying and addressing important issues. A range of engagement processes were being used by partners to secure the views of local people – from those still at school and their parents to older people in the community. This had led to an improved understanding of problems, and community involvement in the development of solutions such as:

- improvements to street lighting in key risk areas; and
- inclusion of services provided by partner organisations as well as Council services at local level.

130 Effective partnership working is delivering improvements for communities but the approach to neighbourhood management across Council services is inconsistent and sustainability is an issue. Within the neighbourhood teams, we found a strong commitment to working across agency boundaries to resolve local problems. At the same time, it was recognised that success was based on the commitment of particular individuals and that some key Council services, including education,

⁴ *What Matters 2010-2020 – The 10 Year Strategy* is an overarching 10-year strategy developed by a range of public, private and third sector partners. It is based around the delivery of seven key strategic outcomes, which aim to improve the quality of life for citizens.

waste management and parks, were not fully engaged in the approach. The Chief Executive and senior management team have taken the first steps to remedy this by designating director leads for each neighbourhood, responsible for promoting a cross-council collaborative approach.

- 131 At the time of our July 2013 review, vacancies in staff structures and changes of personnel led us to conclude that the sustainability of neighbourhood working was an issue. Since then, recruitment to the senior management structure has been completed and the Council has re-affirmed its commitment to neighbourhood working. It has continued the development of 'community hubs' as points of contact with citizens and as centres for the co-location of services.

Longstanding partnership working with the Vale of Glamorgan Council and the Cardiff and Vale University Health Board is co-ordinating activity to improve outcomes for service users

- 132 The Council has worked in partnership with the Vale of Glamorgan Council and the Cardiff and Vale University Health Board to address a range of health and social care issues:

- The three organisations have reduced individual costs by appointing one manager for adult learning disability services.

- The three organisations are co-ordinating activity and developing new services to reduce the delay in transfer of care from hospital into the community. This has included the establishment of a 're-ablement' service that supports individuals to live independently (over 60 per cent of cases initially supported did not go onto to need further care) and close working with housing services to increase the availability of housing and care to support more independent living.
- The Council, in partnership with the Vale of Glamorgan Council and the Vale Community Safety Partnership, has established a multidisciplinary planning board to co-ordinate service activity leading to reduced waiting times for services for people with substance and alcohol misuse issues.

The Council continues to explore opportunities for collaboration as a means of delivering its objectives and monitor the effectiveness of existing arrangements

- 133 The Council has recognised that it can no longer continue to deliver all services in the way it has in the past and is developing a vision of Cardiff as a 'co-operative council' which embraces new ways of delivering public services. The Council is engaging with the business community by means of Cardiff Business Council and is providing start-up funding to new businesses. It is also prioritising the examination of options for delivering sports and leisure within the Organisational Development Plan.

- 134 Councils in Wales are facing a challenging agenda – to reduce the amount of municipal waste that goes to landfill. Failure to achieve targets set by the Welsh Government will lead to substantial financial penalties. Prosiect Gwyrdd is a partnership between the Council and the councils of Caerphilly, Monmouthshire, Newport and the Vale of Glamorgan. Its purpose is to establish a medium to long-term facility to treat waste that cannot be recycled or composted. In 2007, specific governance and scrutiny arrangements were established to guide the project which involved managing a situation of high public interest and a process governed by public procurement regulations and requirements to treat commercially sensitive information in confidence. At the time of writing, the facility was under development in Cardiff. Having moved through the procurement stage, arrangements to review delivery are being developed.

- 135 In September 2012, in response to Welsh Government requirements a new Joint Education Service (JES) was established to provide a school support service to the Vale of Glamorgan, Cardiff, Merthyr Tydfil, Rhondda Cynon Taf and Bridgend councils. A similar arrangement is in place throughout Wales and we propose to undertake a national review of the effectiveness of arrangements during 2014-15. The Council is assessing the strength of arrangements in respect of service quality, governance and clarity of accountability.

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 staff of 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, as a result 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 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. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General 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's budgeted gross revenue expenditure for 2013-14 was approximately £790.6 million. This equates to about £2,288 per resident. The Council's capital budget for the year was approximately £103.7 million. The average band D council tax in 2012-13 and 2013-14 was £937 per year. Approximately 58 per cent of 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:

- 45 Labour
- 15 Welsh Liberal Democrats
- 7 Conservatives
- 4 Independent
- 2 Plaid Cymru
- One Heath Independent
- One Llanrumney Independent

The Council's Chief Executive is Paul Orders. The Council's directors are Corporate Director Resources: Christine Salter; Education, and Lifelong Learning: Nick Batchelor; Sport, Leisure and Culture: Chris Hesse; Children's Services: Tony Young; Health and Social Care: Sian Walker; Environment: Jane Forshaw; Strategic Planning, Highways, Traffic and Transport: Andrew Gregory; Communities, Housing & Customer Services: Sarah McGill; Economic Development: Neil Hanratty; County Solicitor: Shaun Jamieson; and County Clerk and Monitoring Officer: Marie Rosenthal.

Appendix 3 Annual Audit Letter

Other information

The Assembly Members for Cardiff are:

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

The Members of Parliament for Cardiff are:

- Kevin Brennan, Cardiff West, Labour
- Stephen Doughty, Cardiff South and Penarth, Labour (Co-op)
- Jonathan Evans, Cardiff North, Conservative
- Jenny Willott, Cardiff Central, Liberal Democrat

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.

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 27 September 2013 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 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 16 and 26 September 2013 respectively, and a more detailed report to officers will follow in due course.

Overall the statement of accounts and associated working papers provided for audit were of a good standard, although it was disappointing that compliance against the improved procedures put in place last year to support debtors and creditors balances was not as effective this year.

The statement of accounts also contained an uncorrected misstatement of £9 million in respect of grant for the early start of the 21st century schools programme. After discussion at Council, members supported officers' proposals not to amend this balance and reported this decision in the letter of representation. Although this was not material for the accounts and therefore did not impact on my opinion, it is important that if the Welsh Government seeks to issue grants in a similar way in future the Council ensures that the correct approval process is followed to prevent this situation occurring again.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been 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 (the Measure). Overall, I am satisfied there are no issues that would impact on the unqualified audit opinion given on the 2012-13 statement of accounts. However, a number of issues were raised by the Auditor General in his reports to Cabinet on 10 October 2013 that require prompt action if the Council is going to improve the way it discharges its duties under the Measure. The key recommendations were the need to set clear improvement priorities improve performance management and clearly report the outcomes of work done. Progress with these recommendations together with the Council's response to the recently reported Welsh Local Government Association (WLGA) peer review will be followed up in the first quarter of 2014.

The extremely challenging financial position faced by all local government bodies in Wales following the recent budget settlement will also mean that the Council's medium term financial plan (MTFP) will need to be revisited and updated to reflect the additional savings that need to be made over the next three years.

It is recognised that the Council has good arrangements for financial planning and overall budget management and is increasing its senior management capacity. The Council has acknowledged that it needs to consider fundamental changes in the way it operates and delivers its services and that difficult decisions will need to be made to meet the funding gap. It is important that the MTFP is monitored closely and is clearly linked to corporate and directorate savings plans, service delivery plans etc with any slippage dealt with quickly and effectively if savings targets are to be achieved. These will be challenging times for Members and Officers.

I issued a certificate confirming that the audit of the accounts has been completed on 27 September 2013.

The financial audit fee for 2012-13 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely,



Anthony Barrett
Appointed Auditor

28 October 2013

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 published its improvement objectives for 2013-14 in a report to Cabinet on 10 October 2013 which can be found on the Council's website at www.cardiff.gov.uk. They are:

Cardiff Council's improvement objectives 2012-13	Cardiff Council's improvement objectives 2013-14
People in Cardiff are safe and feel safe	Decrease the number of young people not in employment, education or training
Cardiff has a thriving and prosperous economy	Improve educational outcomes
People in Cardiff achieve their full potential	Increase school attendance
Cardiff is a great place to live, work and play	Increase independence by providing aids and adaptations to houses
People in Cardiff have a clean, attractive and sustainable environment	Help people to make positive choices about the affordability of their accommodation
People in Cardiff are healthy	Establish Cardiff as a digital city
Cardiff is a fair, just and inclusive society	Increase the number and quality of jobs in the city economy
The Council delivers improved outcomes for the city and its citizens through strong partnerships and innovative new ways of working	

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 called *Cardiff Council Improvement Report 2012/13* can be found on the Council's website at www.cardiff.gov.uk.

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