

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
MUNICIPAL YEAR 2016-17**

**OVERVIEW & SCRUTINY COMMITTEE
26TH SEPTEMBER, 2016**

**REPORT OF THE DIRECTOR LEGAL &
DEMOCRATIC SERVICES**

Author: Ms.Karyl May, Head of Democratic Services
(Tel.No. 01443-424045)

Agenda Item No. 3(b)
Wales Audit Office Corporate Reports

1. PURPOSE OF THE REPORT

1.1 The purpose of the report is to provide Members with the opportunity to consider the progress made in response to the recommendations arising from the following reports of the Wales Audit Office and thereafter to provide feedback to the Cabinet:-

- Financial Resilience Assessment;
- Review of the Council's arrangements for managing improvement ;
- Review of decision making arrangements in relation to service change.

2. RECOMMENDATIONS

2.1 Members are asked to form a view on the adequacy of progress in respect of the recommendations arising from the Wales Audit Office reports and consider whether any further information is required;

2.2 To feedback to the Cabinet of any recommendations/proposals for improvement.

3. BACKGROUND

3.1 At the meeting of Cabinet held on the 23rd June, 2016, Members received the following four reports of the Wales Audit Office following the significant projects that were undertaken to enable them to form a view on the robustness of the corporate effectiveness of the Council:-

- Financial Resilience Assessment (Appendix 1);
- Review of the Council's arrangements for managing improvement;
- Review of decision making arrangements in relation to service change (Appendix 2);

- Rhondda Cynon Taf's Annual Improvement Report 2015-16 (Appendix 3).

3.2 One of the decisions of the Cabinet on the 23rd June, 2016 was to "to refer the reports and associated action plans to the Overview and Scrutiny Committee and that all non Executive Members be invited to attend". By receiving feedback from Scrutiny Members, Cabinet will have assurance that recommendations are being addressed.

4. THE WAO PROPOSALS FOR IMPROVEMENT

4.1 The four WAO reports were positive reports and reflected the fact that the Council has robust financial, service change and performance management arrangements in place. Nevertheless, there are opportunities to improve these arrangements and the WAO has made seven proposals for improvement across three of the reports. The fourth report – Rhondda Cynon Taf's Annual Improvement Report 2015-16 was presented to full Council on the 20th July, 2016 by Mr. Colin Davies of the Wales Audit Office.

4.2 The three reports referred to above, are attached and the Committee's views are sought on the adequacy of progress in respect of the seven proposals for improvement across the three reports, which are as follows:-

Financial Resilience Assessment

- P1 – The Council should further align its Corporate and Medium Term Financial processes including more clearly demonstrating the links between the allocation of resources and the Council's priorities to help inform decision making;
- P2 – The Council should consider developing a policy and register for fees and charges with associated guidelines on concessions;
- P3 – The Council should enhance the description and reporting of its proposed use of earmarked reserves in reporting to Councillors when developing its budget strategy

Review of the Council's Arrangements for Managing Improvement

- P1 – The Council considers and more clearly demonstrates links between available resources, service planning and performance targets.
- P2 – The Council continues to review and support the effectiveness of scrutiny in supporting its improvement agenda.

Review of Decision Making Arrangements in Relation to Service Change

- P1 – The Council enhance the forward work programme for Cabinet by including details of the purpose and contents of reports, and making the programme accessible to facilitate opportunities for pre-decision scrutiny;

- P2 – the Council develop an approach to systematically capture the impact of service changes and use this intelligence to inform future decision making in relation to service change.

4.3 Appendix 4 to this report sets out an action plan with timescales that responds to the proposals for improvements in the three reports.

5. **CONCLUSION**

5.1 Members are asked to form a view on the adequacy of progress in respect of the recommendations arising from the Wales Audit Office reports and following the comments and updated from Officer, consider whether any further information is required;

2.2 To feedback to the Cabinet of any recommendations/proposals for improvement.

LOCAL GOVERNMENT ACT, 1972
as amended by
THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
OVERVIEW & SCRUTINY COMMITTEE
26TH SEPTEMBER, 2016

Report of the Director, Legal & Democratic Services

Wales Audit Office Corporate Reports

Officer to Contact: Ms.Karyl May (01443) 424045

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Financial Resilience Assessment

Rhondda Cynon Taf County Borough Council

Audit year: 2015-16

Issued: May 2016

Document reference: 253A2016

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work comprised Colin Davies, Jeremy Saunders, Tim Buckle, and Gareth W Lewis.

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Summary report

Summary

1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
 - helps authorities take the right decisions for the short, medium and long term;
 - helps authorities deliver services to meet statutory obligations and the needs of local communities;
 - is essential for good corporate governance;
 - is about managing performance and achieving strategic objectives as much as it is about managing money;
 - underpins service quality and improvement;
 - is the basis of accountability to stakeholders for the stewardship and use of resources; and
 - is a key management discipline.
2. Long-term financial management is not about predicting the future; it is about preparing for it. Authorities need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income, and develop appropriate savings strategies.
3. Well-considered and detailed long-term financial strategies and medium-term financial plans can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
4. Financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.
5. Given the continuing pressures on funding, in this review we have considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the Council over an annual cycle, financial pressures impact beyond the current settlement period. We have considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching our view on the Council's financial resilience.
6. We undertook our assessment during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on delivery of 2014-15 savings plans, and the 2015-16 financial planning period.

8. The work focused on answering the following question: **Is Rhondda Cynon Taf County Borough Council (the Council) managing budget reductions effectively to ensure financial resilience?** In this report we also consider whether:
- **financial planning arrangements effectively support financial resilience;**
 - **financial control effectively supports financial resilience; and**
 - **financial governance effectively supports financial resilience.**
9. Overall we concluded that the Council has robust arrangements for financial planning, management and governance, however, there is scope to enhance the links between the Council's Corporate and Medium Term Financial Planning processes. We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements.
10. This report gives a risk rating for each aspect: financial planning, financial control and financial governance. The descriptors for risk ratings are set out below:

Low risk	There are few shortcomings in systems, processes or information. Impact on the council's ability to deliver its financial plan may be minimal.
Medium risk	There are some shortcomings in systems, processes or information that may affect the council's ability to deliver the desired outcomes of its financial plan.
High risk	There are significant shortcomings in systems, processes or information and/or there is a real risk of the council's financial plan not delivering the desired outcomes.

11. We rate the risk to the Council's delivery of its financial plan for each of these elements as follows:

Medium risk	Financial planning
Low risk	Financial control
Low risk	Financial governance

12. Our April 2015 report **The financial resilience of councils in Wales** was based on fieldwork carried out in all Welsh local authorities. From this work, and from other available material related to aspects of financial management, we have drawn together some example characteristics of good practice to assist practitioners in developing their arrangements. These characteristics can be found in [Appendix 1](#).

Proposals for improvement

- P1 The Council should further align its Corporate and Medium Term Financial processes including more clearly demonstrating the links between the allocation of resources and the Council's priorities to help inform decision making.
- P2 The Council should consider developing a policy and register for fees and charges with associated guidelines on concessions.
- P3 The Council should enhance the description and reporting of its proposed use of earmarked reserves in reporting to councillors when developing its budget strategy.

Detailed report

The Council has robust arrangements for financial planning, management and governance; however, there remains scope to enhance the links between the Council's Corporate and Medium Term Financial Planning processes

Financial planning

The Council has a robust corporate framework for financial planning, however, there remains scope to enhance the links between the Council's Corporate and Medium Term Financial Planning processes

13. The Council has a well-established corporate framework for financial planning that has served it well for a number of years and it has a track record of delivering its planned budget. However, there is scope to improve the transparency of its financial planning arrangements.
14. We said last year that there was scope to integrate medium-term financial planning and corporate planning processes more closely in order to strengthen the linkage between the Council's improvement objectives and the resources allocated to them. We found this year that the scope to integrate these processes remains. Providing stronger and clearer links between the Council's corporate and medium-term financial planning arrangements would help to provide assurance that the Council's improvement priorities informed decisions regarding resource allocation.
15. Strategic Business Plans have clear links to the Council's vision and improvement objectives but they do not contain detailed budget information. Because budget information is not integrated into business planning an opportunity is missed to evaluate performance alongside financial information. It is also difficult to establish how the identified cost reductions and efficiencies link with or impact on the Council's strategic aspirations and improvement objectives.

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16. The Council presents its Medium Term Financial Strategy each year to the Cabinet, political group leaders and the trade union representative through a series of PowerPoint slides. The Council has effective arrangements for identifying future budget gaps and the savings required to close those gaps. The Council has projected budget gaps for the three financial years from 2016-17 to 2018-19 using three different scenarios based on the settlement received from the Welsh Government. The Council has also projected the required savings totals for each of the years in each of the three scenarios. The Council has set up five work streams to identify where future savings could be made to close the three-year financial gap of approximately £60 million with each work stream being led by a senior officer.
 17. Financial forecasting is well-developed and forecasts are subject to regular review. Targets have been set for future periods in respect of key indicators, such as reserve balances and prudential indicators. Key financial systems have also received satisfactory reports from internal and external audit. The Council maintains a General Fund Balance of £10 million as a working balance and has held it at around this level for a number of years. The Council also uses its Medium Term Financial Planning and Service Transformation Reserve (MTFPSTR) to assist with the delivery of budget savings across financial years and to deliver a balanced budget annually.
 18. The Finance Department maintains a base budget spread sheet that holds medium-term financial planning information including all of the relevant, key assumptions. However, this information is not translated into a published Medium Term Financial Plan or equivalent document. This potentially limits the ability for financial planning information and progress over time to be shared and challenged more widely and reduces the transparency of financial planning.
 19. The Council has a robust process for identifying savings and only builds them into its base revenue budget once business cases have been developed, and the relevant details agreed. The Council has a strong track record of delivering its annual budget and managing overspends in-year. As a result of two legal challenges, there were undelivered savings in the 2014-15 budget of £1.95 million. The Council did not carry this shortfall over to 2015-16 but used an additional £1.2 million from its MTFPSTR (as such, expenditure from this reserve went from a planned £5.2 million to an actual £6.4 million) and the early realisation of £0.8 million of savings identified for 2015-16 to off-set this. The £1.2 million savings proposal that was originally identified in the 2014-15 budget but was not realised, has now been identified as a saving that will be implemented to help bridge the gap in the 2015-16 budget.
 20. For a number of years the Council has used 'one-off funding' as part of its budget strategy. In 2014-15 the Council planned to use £5.2 million of earmarked reserves (and actually used £6.4 million). For 2015-16 the Council plans to use a further £4.4 million of its MTFPSTR to balance the budget. The Council recognises that ongoing reliance on the MTFPSTR is not a sustainable strategy and that base budget reductions will be necessary. The Council has replenished the MTFPSTR as additional savings were realised throughout 2014-15, and 2015-16 to maintain the reserve at an appropriate level.

Financial control

The Council's financial management and control arrangements are fit for purpose and are being effectively managed

21. The Council has a clear framework for managing and controlling its finances with an appropriate and effective budget management policy. Comprehensive policies and procedures are in place and it is clear who is accountable for the management of budgets with named individuals designated as budget holders with responsibility to manage under and overspends.
22. The Council prudently manages its useable reserves. However, the Council does not have a specific reserves policy. There are also opportunities for the Council to give more information to Councillors to provide further clarity, enable oversight and improve transparency. For example, the Council could be more explicit in its description of earmarked reserves and it could more clearly explain to councillors how the reserves are taken into account in the budget setting process.
23. The Council does not have a policy on fees or charges but it does have a strategy to increase them by an average of three per cent above inflation for the period 2014-15 to 2017-18. There is no register of fees or charges, or guidelines on concessions, and the Council has not assessed the impact of the charges. The absence of a policy, register and concession guidelines limits the information available to the Council upon which to base decisions on fees and charges.

Financial governance

The Council's framework for reviewing and challenging financial performance is well established

24. The Council has a well-developed framework for reviewing and challenging financial performance, with budget monitoring taking place at officer, scrutiny and Cabinet levels with officers being held to account for budgetary performance. Monthly budget monitoring reports are produced for officers and departments with quarterly summaries provided for councillors. Out-turn reports show that the Council has strong budgetary control with end-of-year performance being on or near to budget. A review of the last four years of financial information shows three underspends and one overspend, all within 0.2 per cent of the budget total.
25. Whilst financial performance and service performance is reported together in quarterly reports to councillors, the Council's Quarter One performance report (April to June performance) was not presented until near the end of Quarter Two in 2014-15 and 2015-16. This potentially limits the timeliness and therefore impact that any scrutiny of this information may have.

- 26.** The Council is in the process of making a number of changes to its governance arrangements, including restructuring its scrutiny committees during 2015-16, and introducing a new approach to service evaluation (which includes a challenge process led by the Chief Executive and the Deputy leader). These changes have the potential to strengthen scrutiny; however, it is too early to assess their effectiveness.
- 27.** The Council has sufficient capacity and capability to deliver its financial responsibilities. The Finance Department has experienced and capable staff in place and is not carrying any vacancies in key positions at present. There is an effective internal audit team which has the proper profile within the organisation. Internal Audit complies with the CIPFA guidelines and its audit recommendations are routinely implemented in a timely manner. There is an assurance framework in place which is used effectively by the Council and business risks are well managed, with significant risks captured and reported to Audit Committee.

Appendix 1

Example characteristics

Example characteristics of good financial planning

The authority's budget is set in the context of a longer-term financial strategy and a medium-term financial plan covering a three to five-year horizon.

The authority has clearly identified the savings it intends to make over a three to five-year term. The savings plan is underpinned by detailed costings and delivery plans for individual savings (including transformation/change savings).

The authority has a good track record of delivering on its savings plans.

Medium-term financial planning and annual budgeting reflect the authority's strategic objectives and priorities for the year, and over the longer term.

Assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services are modelled and based on reasonable predictions.

The authority understands its sources of income and the risks arising from these, and has reviewed its approach to fees and charges to ensure it achieves value for money.

Financial and corporate planning processes are integrated, link to risk management arrangements, and incorporate strategic planning for other resources including the capital programme and workforce planning.

The authority uses financial modelling to assess likely impacts on financial plans and required savings for different scenarios, and to help ensure short-term fixes are not achieved at the expense of long-term sustainability.

The authority models key expenditure drivers (for example, population changes and demand for services), sources of income (for example, income and government grant forecasts), revenue consequences of capital and resource requirements and balances.

The authority operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.

If the authority is not at its target level for balances, there is planned action in place to achieve this, taking account of any associated risks to the organisation's financial position and delivery of its priorities.

Example characteristics of good financial control

The authority has an appropriate and effective budget management policy that clearly sets out roles, responsibilities and accountability. The scheme of delegation is clear, and processes are set out to manage budget under and overspends.

Financial monitoring and forecasting are fit for purpose and accruals based, helping to ensure a clear link between the budget, in-year forecasts and year-end position.

The authority analyses and extrapolates relevant trends, and considers their impact on the projected final out-turn.

The authority takes timely action to address any budget pressures, for example by taking corrective action to manage unfavourable variances or by revisiting corporate priorities.

The authority has a good recent record of operating within its budget with no significant overspends.

The authority has agreed a clear policy on the use of its reserves. There is a clearly justified minimum level for its 'general fund' reserves balance. There is a clear rationale to explain transfer from, or between, reserves. Clear protocols explain how and when each reserve should be used. Decisions about reserves are underpinned by a comprehensive assessment of risk and current performance.

The reserves policy has been agreed by members and is subject to scrutiny.

The authority has a clear policy on income generation/charging. There is a register of charges across its services to help manage charges consistently. The authority has corporate guidelines on how concessions should be applied. Charges are regularly reviewed and the policy updated.

The authority monitors its key financial ratios, benchmarks them against similar bodies and takes action as appropriate.

The annual governance statement gives a true reflection of the authority.

Example characteristics of good financial governance

The leadership team clearly understands the significant and rapidly changing financial management challenges and risks facing the organisation, and is taking appropriate action to secure a stable financial position.

The authority has sufficient capacity and capability to promote and deliver good financial management.

The leadership team fosters an environment where there is good understanding and routine challenge of financial assumptions and performance, and a culture of transparency about the financial position.

The leadership team provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit for purpose.

There is regular and transparent reporting to members. Reports include detail of action planning and variance analysis.

Members scrutinise and challenge financial performance effectively, holding officers to account.

Internal and external audit recommendations are dealt with effectively and in a timely manner.

There is effective engagement with stakeholders on budget issues, including public consultations.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Improvement Assessment 2015-16: Review of the Council's arrangements for managing improvement

Rhondda Cynon Taf County Borough Council

Audit year: 2015-16

Issued: May 2016

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Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

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The team who delivered the work comprised Tim Buckle (Performance Audit Lead) and Alison Lewis (Performance Auditor).

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The Council is strengthening its arrangements for managing improvement but needs to continue to develop its approach to assessing the delivery of outcomes for citizens

1. We examined whether Rhondda Cynon Taf County Borough Council (the Council) has robust arrangements in place for managing improvement and whether they support the delivery of improved outcomes for service users and citizens. We looked at how performance is evaluated, the action taken as a result of performance evaluation and if the Council reviews the effectiveness of its arrangements to deliver improved outcomes for citizens.
2. The Council made changes to its improvement planning and reporting framework during 2015-16. These changes included the publication of a combined 'Corporate Performance Report' that incorporates the Council's 'Improvement Plan' for 2015-16 and its 'assessment of performance' over 2014-15. The Council is also introducing a Council-wide service self-evaluation framework during 2015-16 and is undertaking a corporate self-evaluation. The Council defines its self-evaluation, at both corporate and service levels, as 'a key part of the Council's Performance Improvement Framework. Self-evaluation helps to identify strengths and areas for improvement and provides officers, elected Members and residents and service users with a greater understanding of the Council, its services and the challenges they face. This Framework is about assessing our Services, establishing a clear baseline of performance and activity to support improved service planning. The self-evaluation process involves the Council assessing its performance in the delivery of services and providing internal challenge on the judgements and conclusions reached'¹.
3. In the 2014 Annual Improvement Report (July 2014), we identified that whilst the Council's scrutiny and reporting of performance was improving, there was scope to better evaluate the progress the Council was making towards achieving its improvement priorities. In the 2014-15 Annual Improvement Report (October 2015), we also identified that there was scope for the Council to further develop performance reporting, including improving the evidence base and the evaluation of progress towards meeting improvement priorities.
4. To review the Council's approach we asked the question, 'Do the Council's arrangements for managing improvement support the delivery of improved outcomes for service users and citizens?' We concluded that the Council is strengthening its arrangements for managing improvement but needs to continue to develop its approach to assessing the delivery of outcomes for citizens.
5. Our summary findings are set out below.

¹ Rhondda Cynon Taff County Borough Council – Service Assessment Framework

The Council is identifying its priorities and desired outcomes but further work is needed to define how performance will be assessed in delivering them

6. Currently, the number of performance measures the Council uses in assessing performance makes it difficult to identify those that the Council considers to be of key importance. The Council recognises this and the Chief Executive has challenged service managers to identify the five key performance indicators for their service areas for the coming year against which performance will be judged. The development of a more streamlined suite of indicators should help the Council to monitor performance and support the targeting of improvement activities.
7. The senior leadership team is proposing to set aspirational targets in priority areas. The selection of aspirational targets demonstrates the ambition of the organisation to seek significant improvements in performance. Where comparison is possible across Wales, the targets set for priority areas will be to be within the top half of all councils where performance is currently in the bottom half by 2020. For all other indicators the target will be set at least one quartile above the current performance level compared with other councils in Wales.
8. The Council previously identified that there were weaknesses in the rationale for the setting of some targets. An internal audit report on performance indicators² found that in the documentation used by the Council to support its performance processes that ‘...each Performance Indicator should have a Target set, or where a Target is not set a documented rationale provided. It was found that 7 of the 19 PIs did not have a Target set, with no rationale provided as to why there was not a Target.’ However, the Council is strengthening its arrangements in this area, and a planned scrutiny review of target setting has the potential to improve the robustness and aid the transparency of target setting. The Council has also undertaken work to improve the quality of data that informs performance reporting but recognises that further improvements can be made to testing the reliability of the data.
9. The Council has re-prioritised the areas that it intends to focus on by developing a new Corporate Plan for the period 2016-2020. The Plan references the requirements of the Future Generations and Well-Being Act and seeks to support the Act’s seven well-being goals³. The draft corporate plan has three identified priorities:
 - Economy – Building a strong economy
 - People – Promoting independence and positive lives for everyone
 - Place – Creating neighbourhoods where people are proud to live and work
10. The Plan includes the key outcome measures the Council will use to assess its performance against these priorities. The Council intends to identify targets for each of

² Rhondda Cynon Taf County Borough Council: Report to Audit Committee, 7th December 2015 – Finalise Audit Assignment 2015-16 (agenda item 8)

³ Rhondda Cynon Taf County Borough Council: Report to Finance and Performance Scrutiny Committee, 9th December 2015 – The Way Ahead: The Council’s Draft Corporate Plan 2016-2020 (agenda item 3)

these measures, and report progress on a quarterly basis. However, targets are not yet included for a number of measures, for some of these because 2016-17 will be a baseline year. Therefore for some measures the Council will not be able to articulate the scale of its ambition to citizens for 2016-17.

The Council is strengthening its service planning processes but there remains scope to further improve links between service and financial planning

11. The Council is improving its arrangements for service planning. Revised arrangements include the use of self-evaluation and the implementation of new Delivery Plans. Each service area in the Council now undertakes a self-evaluation. The self-evaluation looks at:
 - how well the service is contributing to delivering outcomes for the community;
 - to what extent leadership and management are supporting service delivery and outcomes for the community; and
 - what needs to be improved.
12. After undertaking a self-evaluation, the managers of each service area attend a challenge session with the Chief Executive and Deputy Leader. This increased challenge around self-evaluation at a political and senior management level is providing a greater focus and awareness to performance matters and is helping to drive a performance management culture within the Council. However, the quality of the self-evaluations is variable and we identified the following weaknesses in some of the self-evaluations:
 - limited information on the definition and delivery of outcomes for the community;
 - narrative that describes the service rather than evaluates it;
 - a lack of baseline data to inform performance measures/service planning; and
 - limited use of financial data to help inform assessments of the value for money of services.
13. The Council recognises these weaknesses and will be using what it considers to be some of the more robust self-evaluations from this year to inform next year's process. The Council had previously started to develop a value for money tool, which had shown potential to assist the Council in judging the value for money of services. The Council should consider revisiting this work as a possible way of adding value to the self-evaluation and service planning arrangements.
14. For 2016-17 all service areas will be required to produce Delivery Plans using a corporate template. The Delivery Plans will be informed by the findings of the Council's self-evaluation process and will be expected to address the identified improvements needed. This development has the potential to help strengthen the Council's arrangements for managing improvement. Greater accountability for service planning is also being introduced as relevant Cabinet Members will now sign off the Delivery Plans (in addition to senior officers) enhancing accountability at a political level.

Challenge and oversight will also be enhanced by scrutiny being given the opportunity to examine the Delivery Plans.

15. The linking of priority outcomes and performance targets to budgets remains unclear. The Council reports financial and performance information in a single report to Members with appropriate frequency. However, links are not drawn sufficiently between the performance and financial information. In addition the large number of performance measures, a lack of clear prioritising of outcomes and measures and the length of the performance report make it difficult to easily understand the story of performance in the Council. The Council has made improvements to strengthen performance reporting arrangements including re-formatting the performance report presented to scrutiny and providing an accompanying presentation that draws out key issues and exceptions from the performance information. However, further work is needed to rationalise/review the performance report presented to Cabinet.

The Council is actively reviewing the effectiveness of its arrangements for managing improvement and making positive changes but scrutiny's role in this process needs to embed further to help drive improvement and demonstrate impact

16. There is increased challenge around performance and self-evaluation at a political and senior management level, which is giving a greater focus to performance in the Council. The role of scrutiny in this process is developing but clear outcomes from scrutiny's overview of performance are not yet evident. Scrutiny's role in this process needs to embed further for it to be effective in helping to drive the Council's improvement agenda.
17. The Council is actively reviewing its arrangements for managing improvement and making positive changes to its approach. Reviews of previous arrangements have led to changes in processes such as the introduction of Delivery Plans. The ongoing review of the self-evaluation process is also highlighting areas that can be improved for next year. The Council's Performance Team are also seeking feedback from those involved in the self-evaluation to inform improvements in the process.
18. At senior leadership level arrangements are also being monitored and reviewed. One of the areas identified for action is the highlighting of cross-cutting issues emerging through the self-evaluation challenge sessions. An example of this is a lack of data around what customers think of the services provided by the Council. The Council recognises this lack of intelligence as a weakness and plans to resolve it at both a corporate and service level. In order to gain feedback on services generally the Council has decided to undertake a residents' survey in May/June 2016.

Proposals for Improvement

P1	The Council considers and more clearly demonstrates links between available resources, service planning and performance targets.
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P2 The Council continues to review and support the effectiveness of scrutiny in supporting its improvement agenda.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

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Improvement Assessment 2015-16: Review of decision-making arrangements in relation to service change

Rhondda Cynon Taf County Borough Council

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Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

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The team who delivered the work comprised Tim Buckle (Performance Audit Lead) and Alison Lewis (Performance Auditor).

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Summary report

The Council has strengthened its decision-making processes in relation to service change but corporate arrangements for assessing the impact of service changes are underdeveloped

1. Rhondda Cynon Taf County Borough Council (the Council) has estimated its revenue funding gap will rise over the three years to 2017-18 to an estimated £56 million if the Council's base budget is not reduced¹. The Council has already identified and implemented a number of service change proposals². Over 2014-15, the Council reported that the savings delivered included the following service cuts:³
 - Phase 1 service cuts ie, libraries, day centres, youth service, and meals on wheels (excluding savings from changes to nursery admission arrangements)
 - Phase 2 service cuts and charges ie, adult social care charging, heritage service, arts and culture service, supported bus routes and paddling pools
2. As a consequence of a successful legal challenge to the service change decision relating to nursery provision in May 2014 and the decision to re-open Rhydyfelin Library (June 2014) the Council had to find alternative savings and increase the use of one-off funding during 2014-15 amounting to £1.95 million. The Council achieved this and delivered a small budget surplus for the period to 31 March 2015.
3. 'Service change' proposals are defined by the Council as significant changes that are likely to have a noticeable front line service impact. Often contentious, service changes can generate significant stakeholder interest. In making changes to services it is therefore important that the Council takes decisions based on robust information whilst taking into account stakeholder needs, the Council's statutory responsibilities, and the potential impact and risks of proposed changes.
4. This project sought to provide assurance that the Council has robust decision-making arrangements in place to consider service change proposals and/or identify opportunities for further improvement. The project will also inform the governance element of the 2015-16 improvement assessment of the Council.
5. The project examined the Council's corporate arrangements for developing and delivering service change proposals and looked at a number of recent decisions on service change proposals that the Council has taken. The project included a consideration of the role of scrutiny and challenge in decision-making processes as well as arrangements for engaging and communicating with stakeholders and arrangements for monitoring the impact of decisions.

¹ Report to Council, 4th March 2015: The Council's 2015-2016 Revenue Budget Strategy

² Report to Council, 4th March 2015: The Council's 2015-2016 Revenue Budget Strategy

³ Rhondda Cynon Taf County Borough Council Performance Report 2015-2016

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6. To review the Council's approach we asked the question, '**Are the Council's decision-making arrangements for determining service change proposals robust and transparent?**' We concluded that the Council has strengthened its decision-making processes in relation to service change but corporate arrangements for assessing the impact of service changes are underdeveloped.
 7. Our summary findings are set out below.

The Council has well-developed processes for determining its service change proposals and is redefining its vision to be clearer about priorities for future service change

8. In order to meet the budget challenges the Council is looking at all the services it provides to identify ways in which it can reduce spending. The Council is addressing the budget gap in a range of ways. For example, one approach is through general efficiencies, whereby all services have to identify proposals for five, 10 and 15 per cent efficiencies. These efficiencies are defined by the Council as 'cost reducing measures which will not have an impact on the level of services provided, that is, they will be unnoticeable to service users/customers.'⁴ Another approach is to develop service change proposals. These are more significant service changes that are likely to have a noticeable front line service impact, and the Council undertakes consultation on such proposals. The Council has a robust process for identifying savings and only builds them into its base revenue budget once business cases have been developed and the relevant savings proposals have been agreed by Cabinet.
9. The current approach for determining service changes has focused around the delivery of savings to meet the budget gap. However, senior officers and members recognise that the Council needs to be clearer about its priorities. The Council plans to identify the services it intends to invest in, support and modernise as well as those services where spending will be reduced over the medium term. In order to be clearer about its priorities for the future the Council has developed a draft Corporate Plan 2016-2020⁵ that sets out the overall direction for the Council for the next four years. When adopted, the Plan will support decision-making by providing a clearer strategic direction and framework within which future service change proposals can be determined.

⁴ Rhondda Cynon Taf CBC, Report to Cabinet 10th November 2015 – Medium Term Service Planning – Service Change Proposals

⁵ Rhondda Cynon Taf CBC, Report to Cabinet 24th November 2015 – Pre Scrutiny Arrangements

The Council is more proactive in engaging stakeholders and is providing information on a wider range of options to support decision-makers but revised scrutiny arrangements need to embed to enable effective oversight of decisions

10. The Council has responded positively to learning from previous service changes and has effective mechanisms to support its approach to service change. When a service change is identified finance officers work with the relevant service area to develop a business case. The business cases consider the options for change and apply a consistent methodology to help ensure that the options that are subsequently recommended are robust.
11. Senior officers and Members told us that the flow of information between the recently expanded Senior Leadership Team and the Cabinet has been enhanced and that there are now increased opportunities for earlier and fuller discussions in formulating service change proposals prior to reports going forward to Cabinet. This is supporting greater input, understanding and ownership of service change proposals by Cabinet Members.
12. Scrutiny has also been given an enhanced role in the decision making process by their active inclusion as part of the consultation phase on service change proposals, which is increasing opportunities for the involvement of non-executive members. However, there is scope to take more advantage of pre-decision scrutiny to strengthen the robustness of service change decision making processes.
13. We heard concerns from some Members that the Forward Work Programme for Cabinet (Programme) is not comprehensive, limiting opportunities for pre-decision scrutiny. An example given related to the Home to School Transport⁶ service change which was not included in the Programme⁷. The absence of information in the Programme has the potential to limit transparency in relation to decision making.
14. In seeking to address this weakness the Council has published a new Programme⁸ which includes all items scheduled for discussion in the next three months and also potential items for discussion (that have not yet been scheduled). However, we note that the information contained in the new Programme is still limited to the topic of the service change item. The Programme is not published as a stand-alone document on the Council website, is not searchable by name, and can only be accessed through the relevant quarterly report to Cabinet. In our view, there are further opportunities for the Council to expand upon the information it makes available, and provide ready access to it for Councillors and the public alike.

⁶ Rhondda Cynon Taf CBC, Report to Cabinet 19th May 2015 – Home to School Transport

⁷ Rhondda Cynon Taf CBC, Report to Cabinet 16th April 2015 – Cabinet Forward Work Programme: May 2015 – July 2015

⁸ Rhondda Cynon Taf CBC, Report to Cabinet 22nd October 2015 – Cabinet Forward Work Programme: November – December 2015 and January 2016

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- 15.** Nonetheless, the Council is taking a more proactive approach to consulting and engaging with the public on service change issues. This can be seen in a number of ways including:
- the Leader’s engagement events – events held by the Leader in the community to discuss issues of relevance to the area;
 - the ‘RCT Together’ initiative – whereby the Council is actively engaging with the community to explore opportunities for services and/or assets to be delivered and/or managed by the community in the future;
 - ongoing use of the citizen’s panel and engagement with school councils;
 - dedicated consultation web pages and greater use of social media, and
 - active engagement with Council employees through the recently established staff panel.
- 16.** The Council is using the results of its consultation exercises to support its decision making processes. Consultation responses are systematically assessed and reported to Cabinet, and there are examples where changes have been made to the original proposals based on the feedback received. Examples include changes to the proposed charging regime for sports pitches⁹, the music service¹⁰ and the Home to School Transport policy.¹¹
- 17.** The Council undertakes an evaluation of its consultation and engagement activity in relation to service changes and seeks to identify improvements that can be made for future consultations. Examples of improvements that have been made include:
- extending the length of time that consultations are open;
 - providing information on all the options that are considered when putting proposals together;
 - making consultation documentation easier to understand (such as versions designed specifically for young people); and
 - posting online videos.

Officers reported that having the communications, design, consultation, marketing and public relations services based in a single department is also helping in the effective planning and delivery of consultation. These improvements are supporting greater transparency around service change proposals.

⁹ Rhondda Cynon Taf CBC, Cabinet Report 22nd January 2015 – Introduction of Charges for Sports Pitches (Decision Notice)

¹⁰ Rhondda Cynon Taf CBC, Cabinet Report 12th February 2015 – Music Service (Decision Notice)

¹¹ Rhondda Cynon Taf CBC, Cabinet Report 8th September – Home to School Transport (Decision Notice)

18. The information provided to Cabinet has been enhanced with fuller information being provided on the range of options considered. The information on options for change sets out for each option: estimated savings, the service implications/impact on service users, impact on other council services, risks, and states whether the proposal is supported and the rationale for the recommendation¹².

The Council has begun to assess the impact of some service changes but corporate arrangements for assessing impact are underdeveloped

19. The Council has undertaken a limited assessment of the impact of some service changes but there is no clear corporate process for undertaking this work. As a consequence the Council is unable to assess the full impact of service changes that have been implemented or learn lessons from them. Whilst the business cases identify anticipated impacts there is no subsequent review to assess if these impacts were realised or if there were any unforeseen consequences. Officers reported that where impact assessment work had been undertaken (for example, in relation to libraries, the youth service, street cleansing and theatres) they had generally found that the impact of the reduction in funding was less than anticipated.
20. The Council has recently included an assessment of the impact of the phase one changes in the forward work programmes for scrutiny committees. Scrutiny of individual service changes has the potential to strengthen the Council's awareness of their impact and outcomes. However, it will not provide a holistic review of the impact on citizens of changes across Council services. The Council is considering using a residents' survey as a way to help it assess the impact of multiple service changes on residents. The Council needs to do further work to ensure that learning from the impact of previous service changes can properly inform future decision making.

Proposals for Improvement

P1	The Council enhance the forward work programme for Cabinet by including details of the purpose and contents of reports, and making the programme accessible to facilitate opportunities for pre-decision scrutiny.
P2	The Council develop an approach to systematically capture the impact of service changes and use this intelligence to inform future decision making in relation to service change.

¹² Rhondda Cynon Taf CBC, Cabinet Report 10th November 2015 – Medium Term Service Planning – Service Change Proposals

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

COUNCIL ACTION PLAN TO RESPOND TO WAO PROPOSALS FOR IMPROVEMENT

Proposal for improvement	Council response	Timescale for action	Officer responsible
Financial Resilience Assessment			
P1 - The Council should further align its Corporate and Medium Term Financial processes including more clearly demonstrating the links between the allocation of resources and the Council's priorities to help inform decision making.	Agreed. A Medium Term Financial Plan will be presented to Cabinet in the Autumn to inform decision making.	September 2016	Group Director of Corporate and Frontline Services
P2 – The Council should consider developing a policy and register for fees and charges with associated guidelines on concessions.	Agreed. A policy and register for fees will be presented to Cabinet in the Autumn to inform the budget setting process.	September 2016	Group Director of Corporate and Frontline Services
P3 – The Council should enhance the description and reporting of its proposed use of earmarked reserves in reporting to councillors when developing its budget strategy.	Agreed. This will be considered as part of the Medium Term Financial Plan.	September 2016	Group Director of Corporate and Frontline Services
Review of the Council's arrangements for managing improvement			
P1 – The Council considers and more clearly demonstrates links between available resources, service planning and performance targets.	Agreed. Of the course of 2016/17, the financial and performance reports presented to Cabinet and Scrutiny Committees will be improved, each quarter, to address this.	March 2017	Group Director of Corporate and Frontline Services

Proposal for improvement	Council response	Timescale for action	Officer responsible
<p>P2 – The Council continues to review and support the effectiveness of scrutiny in supporting its improvement agenda.</p>	<p>Agreed. Improvements continue to be made to improving the effectiveness of scrutiny. The new scrutiny arrangements have been in place for one year, and further steps have been taken to enhance these arrangements such as; the development of a more outcome focused approach, pre scrutiny of key Council business and more cohesive relationships between the Executive and Scrutiny Chairs. These changes will be reviewed at the end of 2016/17</p>	<p>March 2017</p>	<p>Director of Legal & Democratic Services</p>
<p>Review of decision making arrangements in relation to service change</p>			
<p>P1 – The Council enhance the forward work programme for Cabinet by including details of the purpose and contents of reports, and making the programme accessible to facilitate opportunities for pre-decision scrutiny.</p>	<p>Agreed. Improvements to the forward work programme for Cabinet were introduced in December 2015 and further improvements are planned in the summer of 2016.</p>	<p>July 2016</p>	<p>Director of Cabinet & Public Relations</p>

Proposal for improvement	Council response	Timescale for action	Officer responsible
<p>P2 – the Council develop an approach to systematically capture the impact of service changes and use this intelligence to inform future decision making in relation to service change.</p>	<p>Agreed. A number of prior service changes have been reported to Cabinet and/or Scrutiny Committees, but not systematically. In the future, all major service changes will be reported back to Cabinet and Scrutiny on a six monthly basis for the first year of the change.</p>	<p>As and when required</p>	<p>Chief Executive/Group Director</p>

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