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# Financial Resilience Assessment

## **Rhondda Cynon Taf County Borough Council**

**Audit year:** 2015-16

**Issued:** May 2016

**Document reference:** 253A2016

# Status of report

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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](mailto: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

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## 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:

<b>Low risk</b>	There are few shortcomings in systems, processes or information. Impact on the council's ability to deliver its financial plan may be minimal.
<b>Medium risk</b>	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.
<b>High risk</b>	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:

<b>Medium risk</b>	Financial planning
<b>Low risk</b>	Financial control
<b>Low risk</b>	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](#).

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## 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

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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.



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## 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.

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- 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

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## 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.

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**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.

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**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.

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# 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

**Document reference:** 274A2016

# Status of report

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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'<sup>1</sup>.
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.

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<sup>1</sup> Rhondda Cynon Taff County Borough Council – Service Assessment Framework

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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 indicators<sup>2</sup> 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 goals<sup>3</sup>. 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

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

<sup>3</sup> 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.
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Improvement Assessment 2015-16: Review of  
decision-making arrangements in relation to  
service change

## **Rhondda Cynon Taf County Borough Council**

**Audit year:** 2015-16

**Issued:** May 2016

**Document reference:** 186A2016

# Status of report

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# Summary report

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## 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 reduced<sup>1</sup>. The Council has already identified and implemented a number of service change proposals<sup>2</sup>. Over 2014-15, the Council reported that the savings delivered included the following service cuts:<sup>3</sup>
  - 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.

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

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

<sup>3</sup> 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.'<sup>4</sup> 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 2016-2020<sup>5</sup> 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.

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

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

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**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 Transport<sup>6</sup> service change which was not included in the Programme<sup>7</sup>. 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 Programme<sup>8</sup> 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.

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

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

<sup>8</sup> 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 pitches<sup>9</sup>, the music service<sup>10</sup> and the Home to School Transport policy.<sup>11</sup>
- 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.

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

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

<sup>11</sup> 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 recommendation<sup>12</sup>.

### 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.

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





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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

# Annual Improvement Report 2015-16

## Rhondda Cynon Taf County Borough Council

Issued: June 2016

Document reference: 358A2016



This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Colin Davies and Tim Buckle under the direction of Jane Holownia.

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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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# Summary report

## About this report

- 1 This Annual Improvement Report (AIR) summarises the audit work undertaken at Rhondda Cynon Taf County Borough Council (the Council) since the last such report was published in October 2015. This report also includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner. Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.
- 2 Taking into consideration the work carried out during 2015-16, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2016-17.
- 3 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.
- 4 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@audit.wales](mailto:info@audit.wales) or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

## 2015-16 performance audit work

- 5 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2015-16, we undertook improvement assessment work under three themes: use of resources; governance; and performance.
- 6 The work carried out since the last AIR, including that of the 'relevant regulators', is set out below:

Project name	Brief description
Wales Audit Office: Financial Resilience Assessment	Review of the Council's financial position and how it is budgeting and delivering on required savings.
Wales Audit Office: Use of Resources review	Review of the Council's strategic approach to Asset Management.
Wales Audit Office: Performance Management Review	Review of the Council's arrangements for managing improvement.
Wales Audit Office: Governance Review	Review of decision-making arrangements in relation to service change proposals.
Wales Audit Office: Annual 'Improvement Plan' Audit	Review of the Council's published plans for delivering on improvement objectives.
Wales Audit Office: Annual 'Assessment of Performance' Audit	Review of the Council's published performance assessment.
Wales Audit Office: Follow-up work	<ul style="list-style-type: none"> <li>Local Authority Arrangements to Support Safeguarding of Children – follow-up on previous proposals for improvement; and</li> <li>Review of the Council's corporate processes for responding to regulatory reports, tracking implementation of recommendations and reporting to appropriate committees.</li> </ul>
Estyn: Desk top analysis	An overview of key education performance indicators prepared by Estyn.
CSSIW: Review of the Social Services Department's performance 2014-15	Annual Review and Evaluation of Performance of the Council's social services functions for 2014-15.
Welsh Language Commissioner: Review of the Council's Welsh Language Scheme	Assessment of the effectiveness of the Scheme in providing Council services to members of the public who prefer to communicate in Welsh.



**With a strong corporate focus upon the effective use of its resources, supported by strengthened service planning and governance arrangements, the Council is well placed to overcome some significant future challenges**

- 7 Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Measure during 2016-17.
- 8 The Auditor General has reached this conclusion because the Council:
  - a is strengthening its arrangements for managing improvement and has achieved improvement in its schools and childrens services, but it has significant challenges to overcome in preparation for the implementation of the Social Services and Well Being (Wales) Act;
  - b maintains a strong corporate focus upon the effective use of its resources but recognises that there is scope to clarify planning and reporting arrangements to provide assurance that its improvement priorities inform decisions regarding resource allocation; and
  - c continues to strengthen its governance arrangements and is making progress in addressing proposals for improvement, but further work is needed in order for it to evaluate the impact of service change.
- 9 During 2016-17 the Council will continue to face the challenges associated with continued pressure on public finances against a backdrop of legislative change and rising demand for some services. The Council's robust financial management arrangements and strengthened governance and service planning arrangements place it in good stead to meet these challenges. However there are opportunities to make more effective use of data to inform decision-making, and facilitate effective performance evaluation and monitoring, and to monitor the impact on citizens and service users of decisions and service performance.

## Recommendations

- 10 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
  - a 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;
  - b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;



- c conduct a special inspection and publish a report and make recommendations; and
  - d recommend to Ministers of the Welsh Government that they intervene in some way.
- 11 During the course of the year, the Auditor General did not make any formal recommendations to the Council. However, lower-priority issues, known as proposals for improvement, are contained in our other reports to the Council and may be referred to later on in this report. He also makes recommendations that may be relevant to the Council in his Local Government National Reports. A list of recommendations contained in those reports issued in 2015-16 can be found in [Appendix 3](#). We will continue to monitor proposals for improvement during the course of our improvement assessment work.
- 12 In addition, the CSSIW, and the Welsh Language Commissioner included areas for improvement in their inspection reports and letters issued to the Council during the year. These are available at [www.cssiw.org.uk](http://www.cssiw.org.uk) and [www.comisiynyddygybraeg.org](http://www.comisiynyddygybraeg.org).
- 13 Estyn issued no inspection reports to the Council during 2015-16.

# Detailed report



# Performance

The Council is strengthening its arrangements for managing improvement and has achieved improvement in its schools and childrens services, but it has significant challenges to overcome in preparation for the implementation of the Social Services and Well Being (Wales) Act

## Estyn's evaluation of schools performance in Rhondda Cynon Taf

- 14 The proportion of pupils eligible for free school meals in Rhondda Cynon Taf is much higher than the Wales average. This is taken into account when evaluating the performance in the authority.
- 15 Performance in the Foundation Phase indicator<sup>1</sup> has improved at a faster rate than for Wales as a whole. It is just below the Wales average in 2015, and slightly better than in similar authorities. Performance in the core subject indicators<sup>2</sup> for key stages 2 and 3 has improved at a similar rate to Wales as a whole and has remained broadly average compared with levels in similar authorities.
- 16 At key stage 4, the percentage of pupils achieving the level 2 indicator including English or Welsh and mathematics<sup>3</sup> and the average capped points score has improved in recent years at a faster rate than in Wales as a whole. In 2015, performance in the level 2 indicator including English or Welsh and mathematics is slightly higher than in similar authorities and performance in the average capped points score is much higher than in similar authorities and higher than the Wales average for the first time in five years. In 2015 and 2014, the authority has exceeded both of the benchmarks for performance in the main indicators<sup>4</sup> at key stage 4 set by the Welsh Government, having met them both in 2013.
- 17 Attendance has improved in primary and secondary schools at a faster rate than for Wales as a whole, and is close to the Wales average in 2015.
- 18 In all of the main performance indicators across all phases, the performance of pupils eligible for free school meals has improved in recent years. However, in primary schools the performance of these pupils in 2015 is below the average for similar pupils across Wales. In secondary schools, the performance of these pupils in 2015 is generally close to the Wales average for similar pupils.

1 The **Foundation Phase indicator** refers to the percentage of pupils who reach the expected performance (outcome level 5) in three areas of learning in the Foundation Phase: literacy, language and communication in English or Welsh first language; mathematical development; and personal and social development, wellbeing and cultural diversity.

2 The core **subject indicator** refers to the percentage of pupils who attain the level expected of them in mathematics, science and either English or Welsh as a first language. This equates to level 4 or above at key stage 2 and level 5 or above at key stage 3.

3 The **level 2 indicator including English or Welsh and mathematics** represents a volume of learning equivalent to five GCSEs at grade A\* to C including English or Welsh first language and mathematics.

4 Where the text refers to '**main indicators**', at key stage 4 this would include the level 1 indicator (a volume of learning equivalent to five GCSEs at grade A\* to G), the level 2 indicator (a volume of learning equivalent to five GCSEs at grade A\* to C), and the percentage of pupils achieving five GCSEs at grade A\* to A, in addition to the core subject indicator and the level 2 indicator including English or Welsh and mathematics. The '**main indicators**' prior to key stage 4 are the Foundation Phase indicator and core subject indicators for key stages 2 and 3. The performance indicators for the Foundation Phase key stages 2 and 3 are based on teacher assessment. The performance indicators for key stage 4 are based on externally verified qualifications such as GCSEs.

The Council has made some improvements in childrens services, but has significant challenges to overcome in modernising its social services provision in preparation for the implementation of the Social Services and Well Being (Wales) Act

- 19 The CSSIW published its **Annual Review and Evaluation of Performance 2014/2015 in October 2015 and this is available on its website**. The CSSIW reported that the new director of social services took up post during 2014-15 and there have been changes in other senior appointments this year and during 2015-16. This, and the challenges of the implementation of the Social Services and Wellbeing (Wales) Act 2014 (SSWBW Act), presents the Council with an increased opportunity to modernise services. The director is aware of the need to fully engage in a public and political debate around the level of direct services provided for people within the authority. Levels of residential care for older people, looked after children and child protection registrations are high. There is a significant challenge for the Council in safely reducing these figures by promoting independence and alternative accommodation options for adults and increasing the impact of prevention and earlier intervention services to reduce the need for compulsory interventions with families.
- 20 The CSSIW also reported that there is a clear governmental imperative for social services and health to integrate services where possible. There is room for improvement here for both agencies to improve operational lines of communication, agree shared thresholds and assessments and pick up the pace of change. The CSSIW also identified concerns with the operation of adult safeguarding arrangements during the year and will be following up with the Council the progress it has made in this area. CSSIW were also pleased to note the intention of the director to introduce more robust quality assurance and performance management systems, such that the Council can better assure itself that services are being run efficiently and to maximise positive outcomes for service users. This is particularly important in times of financial austerity. There have been improvements noted in children's services during the year. The CSSIW has recommended continued monitoring of the policy of using staff who are not qualified social workers to case manage looked after children, since this is not a policy followed by other Welsh councils.

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

- 21 During 2015-16, we examined whether 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 whether the Council reviews the effectiveness of its arrangements to deliver improved outcomes for citizens.



- 22 We found that the Council is identifying its priorities and desired outcomes but further work is needed to define how performance will be assessed in delivering them. The Council is improving its service planning processes, including the use of self-evaluation across all service areas and the requirement for all service areas to produce Delivery Plans for 2016-17. However, scope remains for the Council to further improve links between its service and financial planning. The linking of priority outcomes and performance targets to budgets remains unclear, and whilst the Council reports financial and performance information in a single report, links are not drawn sufficiently between performance and financial information.
- 23 The Council is actively reviewing the effectiveness of its arrangements for managing improvement and making positive changes including increased challenge at a political and senior management level, and developing the role of scrutiny. We consider that the role of scrutiny in this process needs to embed further in order to help drive improvement and demonstrate impact.

#### The Council discharged its improvement planning and reporting duties under the Measure

- 24 In June 2015, the Council discharged its improvement planning and reporting duties through the publication of a Corporate Performance Report. Following our Audit of this document we issued certificates in June 2015 and August 2015 stating our view that the Council had complied with its improvement planning and reporting responsibilities.

#### Welsh Language Commissioner's evaluation of Rhondda Cynon Taf County Borough Council's performance

- 25 The role of the Welsh Language Commissioner (the Commissioner) was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner will continue to review Welsh-language schemes by virtue of powers inherited under the Welsh Language Act 1993.
- 26 The 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 Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.
- 27 Inspection reports and letters issued to the Council during the year by the Commissioner are available on the [Commissioner's website](#).

## Use of resources

The Council maintains a strong corporate focus upon the effective use of its resources but recognises that there is scope to clarify planning and reporting arrangements to provide assurance that its improvement priorities inform decisions regarding resource allocation

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 Planning processes

- 28 During 2015-16 we undertook a financial resilience assessment of the Council. We considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term. The focus of the work was on the delivery of 2014-15 savings plans, and the 2015-16 financial planning period. In reaching our view on the Council's financial resilience we have considered evidence of the Council's approach to managing its finances in the recent past and over the medium term. We found 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.
- 29 We came to this conclusion because the Council has a well-established corporate framework for financial planning that has served it well over a number of years and it has a track record of delivering its planned budget. However, there remains scope to enhance the transparency of its financial planning arrangements. We also found that there remains 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 resources allocated to them. 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. In recognition of this we understand that officers intend to prepare a single, medium-term financial plan over the summer months to inform the next budget setting round.

The Council has begun to engage its communities in taking a proactive approach to the future management of its assets, but there is scope to strengthen performance reporting arrangements to better support oversight and decision making in relation to asset management

- 30 As part of our improvement assessment work during 2015-16 we reviewed the Council's strategic approach to asset management. We examined the plans, structures and processes that support the management of the Council's assets as well as links with other key corporate arrangements such as the Council's financial management and improvement planning processes. The review also included consideration of the Council's arrangements for engaging with internal and external stakeholders as well as arrangements for managing the performance of assets. We concluded that the Council has begun to engage its communities in taking a proactive approach to the future management of its assets, but there is scope to strengthen performance reporting arrangements to better support oversight and decision-making in relation to asset management.
- 31 We arrived at this conclusion because asset management has a high profile and is being driven at a strategic level within the Council, and the recent senior management restructure has strengthened corporate working in relation to asset management. In addition the Council's proactive approach to asset management also includes engaging communities in the transfer of assets and delivery of services. However, we also found that performance reporting arrangements do not provide elected members and corporate senior management with a comprehensive picture of the management of the Council's assets.

### Audit of the Council's accounts

- 32 On 30 November 2015, the Auditor General issued an Annual Audit Letter to the Council. The letter summarises the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and his reporting responsibilities under the Code of Audit Practice. The Auditor General issued an unqualified opinion on the Council's accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. The Annual Audit Letter can be found in [Appendix 2](#) of this report.

# Governance

**The Council continues to strengthen its governance arrangements and is making progress in addressing proposals for improvement, but further work is needed in order for it to evaluate the impact of service change**

**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**

- 33 During 2015-16, we 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.
- 34 We found 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. We came to this conclusion because 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. The Council is also more proactive in engaging stakeholders and is providing information on a wider range of options to support decision-makers. However, the Council's recently revised scrutiny arrangements need to embed to enable effective oversight of decisions. The Council has also begun to assess the impact of some service changes but corporate arrangements for assessing impact are underdeveloped.

**The Council is strengthening its processes for responding to external regulatory reports**

- 35 The Council has recently put in place arrangements to ensure that reports from external regulators are communicated internally within the Council, and are reported to the appropriate Committee. Upon receipt of reports, the Council now ensures that senior managers, as well as either the Audit Committee or appropriate scrutiny committee receive them. The Council has also recently established a register of recent reports of external regulators, that includes reference to when the Council's response to any report of an external regulator has been considered by an appropriate Committee. The Council has also developed a template to be completed by Officers outlining progress in addressing recommendations for presentation to the relevant Committee.



- 36 As the introduction of these arrangements is relatively recent, it is too early to assess the extent to which the Council's response to all regulatory reports will be subject to appropriate challenge and monitoring arrangements. There is, however, an opportunity to strengthen arrangements further through clarifying the role of respective committees in receiving regulatory reports. Arrangements could also be strengthened by establishing clear arrangements for monitoring the Council's progress in addressing any recommendations or proposals for improvement from external regulators.

**The Council is now making progress in addressing each of our previous proposals for improvement in relation to corporate arrangements to support the safeguarding of children, but has not yet fully addressed them**

- 37 In October 2014, we reported our local findings to the Council following our national review of Local Authority Arrangements to Support Safeguarding of Children. In reporting our findings we made four proposals for improvement to the Council. In February 2016, we reviewed the Council's progress in addressing the proposals improvement and found that 'The Council is strengthening its corporate arrangements to support the safeguarding of children and is making progress in addressing our previous proposals for improvement.' We came to this conclusion because the Council has:
- a developed a draft Corporate Safeguarding Policy;
  - b developed a draft corporate safeguarding risk register, and intends to incorporate service risks into its service delivery plans;
  - c identified key corporate performance measures for safeguarding, although not all of the measures are finalised; and
  - d begun to deliver a training programme for staff, and there are plans to deliver training for elected members from May 2016.

## 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 – Annual Audit Letter

Mr Andrew Morgan  
Leader  
Rhondda Cynon Taf County Borough Council  
The Pavilions  
Clydach Vale  
Tonypandy  
CF40 2XX

Dear Councillor Morgan

### **Annual Audit Letter – Rhondda Cynon Taf County Borough Council 2014-15**

This letter summarises the key messages arising from the Auditor General for Wales' statutory responsibilities under the Public Audit (Wales) Act 2004 and 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 annual accounting statements 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 30 September 2015, I issued a preliminary unqualified audit opinion on the accounting statements stating 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 Council in my Audit of Financial Statements report on 30 September 2015. I could not issue a certificate concluding the audit at this time because of the ongoing consideration of an objection received in relation to the accounts.

I also issued unqualified opinions on the Council's Whole of Government Accounts return and the accounts of the following joint committees for which the Council has administrative responsibility:

- Llwydcoed Crematorium
- Central South Education Consortium

**I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources**

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. My Annual Improvement Report will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made.

I will shortly be issuing a report on the Council's financial resilience which will highlight areas of good practice and where further improvement may be required.

**I issued a certificate confirming that the audit of the accounts had been completed on 26 November 2015**

I was able to conclude on the objection to the accounts in October and responded to the elector stating I could not accept his objection and did not propose any further formal audit action. I issued my final report on the accounts to the Council on 18 November 2015 which was considered by Council on 25 November and I was able to issue my final opinion and certificate of completion on 26 November.

**My work to date on certification of grant claims and returns has not identified significant issues that would impact on the 2015-16 accounts or key financial systems**

There were no issues arising from my audit of 2013-14 claims which I need to bring to your attention and my ongoing work on claims for 2014-15 has not identified any issues. If any issues arise I will report these next year.

The financial audit fee for 2014-15 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely

**John Herniman**

For and on behalf of the Auditor General for Wales

## Appendix 3 – National report recommendations 2015-16

Date of report	Title of review	Recommendation
April 2015	<b>The Financial resilience of Councils in Wales</b>	<p>R1 Councils should ensure that their corporate plan:</p> <ul style="list-style-type: none"> <li>• is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;</li> <li>• maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and</li> <li>• should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.</li> </ul> <p>R2 The medium term financial plan should identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.</p> <p>R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.</p> <p>R4 Councils should review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.</p> <p>R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.</p> <p>R6 Councils should develop corporate wide policies on income generation with a view to increasing revenue streams and relieving financial pressures.</p> <p>R7 Councils should:</p> <ul style="list-style-type: none"> <li>• strengthen budget setting and monitoring arrangements to ensure financial resilience; and</li> <li>• review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.</li> </ul>

Date of report	Title of review	Recommendation
April 2015	<b>The Financial resilience of Councils in Wales</b>	<p>R8 Councils must review their finance teams and ensure that they have sufficient capacity and capability to meet future demands.</p> <p>R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.</p>
June 2015	<b>Achieving improvement in support to schools through regional education consortia – an early view.</b>	<p>R1 To clarify the nature and operation of consortia. We found there to be continuing uncertainty about some aspects of the nature of regional consortia and their present and future scope (<b>paragraphs 2.2 to 2.20</b>). We therefore recommend:</p> <ul style="list-style-type: none"> <li>Local authorities should clarify whether consortia services are jointly provided or are commissioned services (services provided under joint-committee arrangements are jointly provided services and are not commissioned services).</li> </ul> <p>R2 To focus on outcomes through medium-term planning. We found that the development of effective regional consortia was hindered by a focus on short-term actions and uncertainty about the future of consortia (<b>paragraphs 2.33 to 2.36; 3.16 to 3.17</b>). We therefore recommend:</p> <ul style="list-style-type: none"> <li>As any possible local authority re-organisation will not be fully implemented until 2020, the Welsh Government and regional consortia should develop three-year plans for the further development, scope, and funding of regional consortia linked to appropriate strategic objectives.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	Achieving improvement in support to schools through regional education consortia – an early view.	<p>R3 To develop more collaborative relationships for the school improvement system. The development of the National Model for Regional Working involved many school improvement partners but we found that this had not led to the development of sufficiently collaborative relationships (<a href="#">paragraphs 2.25 to 2.32</a>). We therefore recommend:</p> <ul style="list-style-type: none"> <li>Regional consortia should develop improved arrangements for sharing practice and supporting efficiency (for example, one consortium could take the lead on tackling an issue or have functional responsibility for the development of a policy).</li> <li>The Welsh Government, local authorities and regional consortia should recognise the interdependency of all partners fulfilling their school improvement roles and agree an approach to: <ul style="list-style-type: none"> <li>information sharing and consultation about developments related to school improvement;</li> <li>developing collaborative relationships of shared accountability; and</li> <li>undertaking system wide reviews, and an alignment of the understanding and position of regional consortia across all Welsh Government relevant strategies.</li> </ul> </li> </ul> <p>R4 To build effective leadership and attract top talent. Regional consortia, local authorities and the Welsh Government have all found difficulties in recruiting to senior leadership for education and we found there had been limited action to address this (<a href="#">paragraphs 2.37 to 2.40</a>). We therefore recommend:</p> <ul style="list-style-type: none"> <li>the Welsh Government and local authorities should collaborate to improve the attractiveness of education leadership roles to attract the most talented leaders for the school improvement system; and</li> <li>local authorities should collaborate to support the professional development of senior leaders and to ensure appropriate performance management arrangements are in place for senior leaders.</li> </ul>

Date of report	Title of review	Recommendation
June 2015	Achieving improvement in support to schools through regional education consortia – an early view.	<p>R5 To improve the effectiveness of governance and management of regional consortia. Whilst continuing progress is being made, we found that regional consortia have not yet developed fully effective governance and financial management arrangements (paragraphs 3.2 to 3.36). We therefore recommend that local authorities and their regional consortia should:</p> <ul style="list-style-type: none"> <li>• improve their use of self-evaluation of their performance and governance arrangements and use this to support business planning and their annual reviews of governance to inform their annual governance statements;</li> <li>• improve performance management including better business planning, use of clear and measurable performance measures, and the assessment of value for money;</li> <li>• make strategic risk management an integral part of their management arrangements and report regularly at joint committee or board level;</li> <li>• develop their financial management arrangements to ensure that budgeting, financial monitoring and reporting cover all relevant income and expenditure, including grants funding spent through local authorities;</li> <li>• develop joint scrutiny arrangements of the overall consortia as well as scrutiny of performance by individual authorities, which may involve establishment of a joint scrutiny committee or co-ordinated work by local authority scrutiny committees;</li> <li>• ensure the openness and transparency of consortia decision making and arrangements;</li> <li>• recognise and address any potential conflicts of interest; and where staff have more than one employer, regional consortia should ensure lines of accountability are clear and all staff are aware of the roles undertaken; and</li> <li>• develop robust communications strategies for engagement with all key stakeholders.</li> </ul>



Date of report	Title of review	Recommendation
July 2015	Review of Corporate Safeguarding Arrangements in Welsh Councils	<p>R1 Improve corporate leadership and comply with Welsh Government policy on safeguarding through:</p> <ul style="list-style-type: none"> <li>the appointment of a senior lead officer who is accountable for safeguarding and protecting children and young people with corporate responsibilities for planning improvements;</li> <li>the appointment of a lead member for safeguarding; and</li> <li>regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Ensure there is a corporate-wide policy on safeguarding covering all Council services to provide a clear strategic direction and clear lines of accountability across the Council.</p> <p>R3 Strengthen safe recruitment of staff and volunteers by:</p> <ul style="list-style-type: none"> <li>ensuring that Disclosure and Barring Service (DBS) checks and compliance with safe recruitment policies cover all services that come into contact with children;</li> <li>creating an integrated corporate compliance system to record and monitor compliance levels on DBS checks; and</li> <li>requiring safe recruitment practices amongst partners in the third sector and for volunteers who provide services commissioned and/or used by the Council which are underpinned by a contract or service level agreement.</li> </ul> <p>R4 Ensure all relevant staff, members and partners understand their safeguarding responsibilities by:</p> <ul style="list-style-type: none"> <li>ensuring safeguarding training is mandated and coverage extended to all relevant Council service areas, and is included as standard on induction programmes;</li> <li>creating a corporate-wide system to identify, track and monitor compliance on attending safeguarding training in all Council departments, elected members, schools, governors and volunteers; and</li> <li>requiring relevant staff in partner organisations who are commissioned to work for the Council in delivering services to children and young people to undertake safeguarding training.</li> </ul>

Date of report	Title of review	Recommendation
July 2015	Review of Corporate Safeguarding Arrangements in Welsh Councils	<p>R5 In revising guidance, the Welsh Government should clarify its expectations of local authorities regarding the roles and responsibilities of the designated officer within education services, and the named person at senior management level responsible for promoting the safeguarding.</p> <p>R6 Improve accountability for corporate safeguarding by regularly reporting safeguarding issues and assurances to scrutiny committee(s) against a balanced and Council-wide set of performance information covering:</p> <ul style="list-style-type: none"> <li>• benchmarking and comparisons with others;</li> <li>• conclusions of internal and external audit/ inspection reviews;</li> <li>• service-based performance data;</li> <li>• key personnel data such as safeguarding training, and DBS recruitment checks; and</li> <li>• the performance of contractors and commissioned services on compliance with Council safeguarding responsibilities.</li> </ul> <p>R7 Establish a rolling programme of internal audit reviews to undertake systems testing and compliance reviews on the Council's safeguarding practices.</p> <p>R8 Ensure the risks associated with safeguarding are considered at both a corporate and service level in developing and agreeing risk management plans across the Council.</p>

Date of report	Title of review	Recommendation
October 2015	Supporting the Independence of Older People: Are Councils Doing Enough?	<p>R1 Improve governance, accountability and corporate leadership on older people's issues through:</p> <ul style="list-style-type: none"> <li>the appointment of a senior lead officer who is accountable for coordinating and leading the Council's work on older people's services;</li> <li>realigning the work of the older people's strategy coordinators to support development and delivery of plans for services that contribute to the independence of older people;</li> <li>the appointment of a member champion for older people's services; and</li> <li>regularly disseminating and updating information on these appointments to all staff and stakeholders.</li> </ul> <p>R2 Improve strategic planning and better coordinate activity for services to older people by:</p> <ul style="list-style-type: none"> <li>ensuring comprehensive action plans are in place that cover the work of all relevant council departments and the work of external stakeholders outside of health and social care; and</li> <li>engaging with residents and partners in the development of plans, and in developing and agreeing priorities.</li> </ul> <p>R3 Improve engagement with, and dissemination of, information to older people by ensuring advice and information services are appropriately configured and meet the needs of the recipients.</p> <p>R4 Ensure effective management of performance for the range of services that support older people to live independently by:</p> <ul style="list-style-type: none"> <li>setting appropriate measures to enable Members, officers and the public to judge progress in delivering actions for all council services;</li> <li>ensuring performance information covers the work of all relevant agencies and especially those outside of health and social services; and</li> <li>establishing measures to judge inputs, outputs and impact to be able to understand the effect of budget cuts and support oversight and scrutiny.</li> </ul>

Date of report	Title of review	Recommendation
October 2015	Supporting the Independence of Older People: Are Councils Doing Enough?	<p>R5 Ensure compliance with the Public Sector Equality Duty when undertaking equality impact assessments by:</p> <ul style="list-style-type: none"> <li>• setting out how changes to services or cuts in budgets will affect groups with protected characteristics;</li> <li>• quantifying the potential impact and the mitigation actions that will be delivered to reduce the potentially negative effect on groups with protected characteristics;</li> <li>• indicating the potential numbers who would be affected by the proposed changes or new policy by identifying the impact on those with protected characteristics; and</li> <li>• ensuring supporting activity such as surveys, focus groups and information campaigns includes sufficient information to enable service users to clearly understand the impact of proposed changes on them.</li> </ul> <p>R6 Improve the management and impact of the Intermediate Care Fund by:</p> <ul style="list-style-type: none"> <li>• setting a performance baseline at the start of projects to be able to judge the impact of these overtime;</li> <li>• agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding; and</li> <li>• improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R1 Improve strategic planning in leisure services by:</p> <ul style="list-style-type: none"> <li>• setting an agreed council vision for leisure services;</li> <li>• agreeing priorities for leisure services;</li> <li>• focusing on the Council's position within the wider community sport and leisure provision within the area; and</li> <li>• considering the potential to deliver services on a regional basis.</li> </ul> <p>R2 Undertake an options appraisal to identify the most appropriate delivery model based on the Council's agreed vision and priorities for leisure services which considers:</p> <ul style="list-style-type: none"> <li>• the availability of capital and revenue financing in the next three-to-five years;</li> <li>• options to improve the commercial focus of leisure services;</li> <li>• opportunities to improve income generation and reduce council 'subsidy';</li> <li>• a cost-benefit analysis of all the options available to deliver leisure services in the future;</li> <li>• the contribution of leisure services to the Council's wider public health role;</li> <li>• better engagement with the public to ensure the views and needs of users and potential users are clearly identified;</li> <li>• the impact of different options on groups with protected characteristics under the public sector equality duty; and</li> <li>• the sustainability of service provision in the future.</li> </ul>

Date of report	Title of review	Recommendation
December 2015	Delivering with less - leisure services	<p>R3 Ensure effective management of performance of leisure services by establishing a suite of measures to allow officers, Members and citizens to judge inputs, outputs and impact. This should cover council-wide and facility specific performance and include:</p> <ul style="list-style-type: none"> <li>• capital and revenue expenditure;</li> <li>• income;</li> <li>• council 'subsidy';</li> <li>• quality of facilities and the service provided;</li> <li>• customer satisfaction;</li> <li>• success of 'new commercial' initiatives;</li> <li>• usage data – numbers using services/facilities, time of usage, etc; and</li> <li>• impact of leisure in addressing public health priorities.</li> </ul> <p>R4 Improve governance, accountability and corporate leadership on leisure services by:</p> <ul style="list-style-type: none"> <li>• regularly reporting performance to scrutiny committee(s);</li> <li>• providing elected Members with comprehensive information to facilitate robust decision-making;</li> <li>• benchmarking and comparing performance with others; and</li> <li>• using the findings of internal and external audit/inspection reviews to identify opportunities to improve services.</li> </ul>



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