

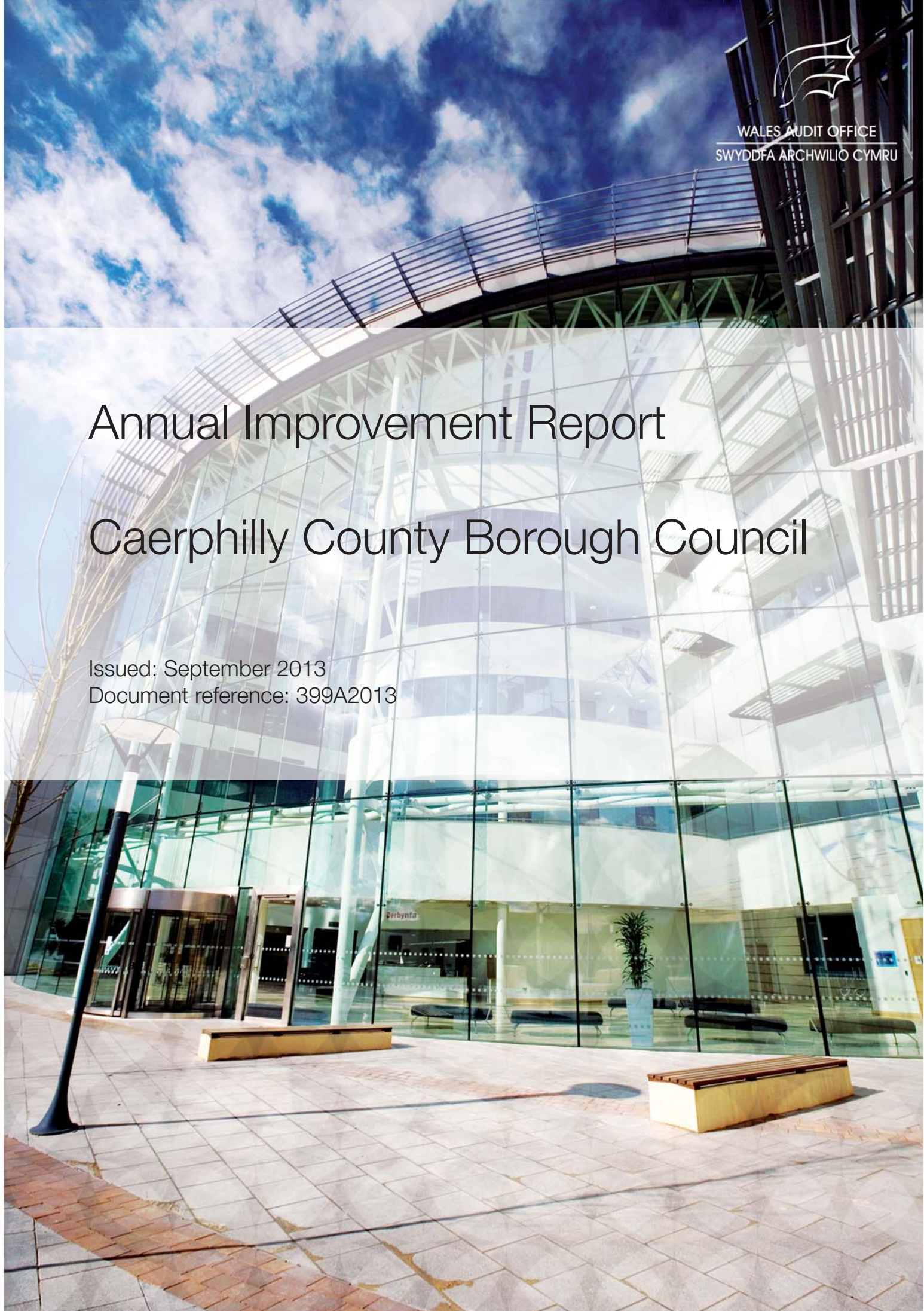


WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report

Caerphilly County Borough Council

Issued: September 2013
Document reference: 399A2013



About the Auditor General for Wales

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

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

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

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins and Jackie Joyce under the direction of Alan Morris and supported by the work of PricewaterhouseCoopers.

Contents

Summary report and statutory recommendations	4
Detailed report	
Introduction	8
Whilst the Council has made some service improvements, there are weaknesses in its self-evaluation arrangements, the pace of improvement is slow in some key priority areas and there are serious failings in its governance arrangements	9
Since concluding, in September 2012, that the Council was likely to comply with the requirement to make arrangements to secure continuous improvement during 2012-13 providing it increased the pace of improvement, we have found significant failings in its governance arrangements	9
The Council's performance in improving services in 2011-12 has been mixed and it has been slow to address some key priority areas	16
Although the Council has embedded performance management arrangements it needs to address weaknesses in its approach to self-evaluation and challenge, and report and account for its performance in a more balanced and transparent way	36
Appendices	
Appendix 1 Status of this report	41
Appendix 2 Useful information about Caerphilly and Caerphilly County Borough Council	42
Appendix 3 Appointed Auditor's Annual Audit Letter	43
Appendix 4 Caerphilly County Borough Council's improvement objectives and self-assessment	48
Appendix 5 Proposals for improvement 2012-13	49
Appendix 6 Appointed Auditor's Report in the Public Interest Recommendations	56

Summary report

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement and delivering their services. Drawing on the work of the relevant Welsh inspectorates, as well as work undertaken on his behalf by the Wales Audit Office, this report presents a picture of performance over the last year. The report is in three main sections, which cover Caerphilly County Borough Council's (the Council) delivery and evaluation of services in relation to 2011-12, and its planning of improvement for 2012-13.
 - whilst the Council has discharged its improvement planning duties under the Local Government (Wales) 2009 Measure (the Measure) in 2012-13 and acted in accordance with Welsh Government guidance it has failed to discharge some of its improvement planning duties for 2013-14;
 - the Council's progress against regulators' recommendations and proposals for improvement is mixed and often slow and although it has accepted that accountability arrangements to manage and deliver the findings from audit and inspection work need to be strengthened, arrangements have not been put in place; and
 - although the Council has to date responded to the financial challenges it has faced and secured savings in advance of need, it does not have a rigorous approach to developing business cases or to setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges.
- 2 Overall the Auditor General has concluded that whilst the Council has made some service improvements, there are weaknesses in its self-evaluation arrangements, the pace of improvement is slow in some key priority areas and there are serious failings in its governance arrangements.
- 3 In part one we report that since concluding, in September 2012, that the Council was likely to comply with the requirement to make arrangements to secure continuous improvement during 2012-13 providing it increased the pace of improvement, we have found significant failings in its governance arrangements. We came to this conclusion because we found that:
 - there are significant weaknesses in the governance procedures and arrangements at the Council;
- 4 As a result of these findings, and the wider governance issues highlighted throughout this report, the Auditor General has decided to undertake a Special Inspection that will focus on the Council's governance and decision-making arrangements. As part of this inspection the Auditor General will work with the Appointed Auditor to assess the progress the Council has made in addressing the recommendations made in his *Report in the Public Interest* issued in March 2013.

- 5 In part two of this report we conclude that the Council's performance in improving services in 2011-12 has been mixed and it has been slow to address some key priority areas. We came to this conclusion because we found that:
- The Council provides citizens with a range of channels to access its services but has been slow to progress improvements to the way it engages citizens:
 - the Council continues to be slow in improving how it both engages with its citizens and listens to what customers say about its services;
 - the Council provides citizens with a range of channels to access its services but its strategic approach to customer services is fragmented and in need of updating and it does not effectively evaluate its customer services provision; and
 - the Council has robust arrangements for the administration of its language scheme and for assessing impact of policies but needs to improve the Welsh language provision on its website.
 - The Council's efforts to regenerate and support the economy have had a mixed impact:
 - the Council continues to prioritise new approaches to creating jobs, supporting businesses and helping people to find jobs, although unemployment levels remain higher than the Welsh and UK averages and the number of active businesses in Caerphilly has fallen; and
 - the Council has a generally effective and customer-focused housing benefit service but there has been a marginal deterioration in performance in some key measures.
 - The Council's performance in relation to health and social care is mixed:
 - Whilst the health profile of Caerphilly county borough remains poor, there are signs of improvement.
 - Whilst the levels of independent living amongst adults remains high there are signs of declining performance, the Council has not achieved its own planned improvements in some areas and social services face significant challenges and are likely to be unsustainable without implementing new ways of working.
 - The Council and its partners are strongly committed to the Gwent Frailty programme vision and have created a sound programme management framework to underpin it. Gwent Frailty is in the early stages of implementation and challenges remain to ensure it is sustainable, to change established behaviours and to demonstrate its impact.
 - Children's services are effective in safeguarding and promoting the welfare of children and young people in need.

- The Council has made progress but has not yet fully addressed the recommendations from Healthcare Inspectorate Wales (HIW). There are limitations in the way the Council monitors and tests the implementation of actions and the way it involves the housing service in the discharge of vulnerable people from institutions.
 - The Council, with its partners, has continued to make good progress in making Caerphilly county borough a safer place to live.
 - Education services for children and young people are adequate with adequate prospects for improvement and a new Education Achievement Service for South East Wales has been created and is focusing on improving attainment within schools.
 - There are key weaknesses in the way the Council manages its people, information and assets:
 - overall the Council has arrangements in place to manage its workforce but strategic workforce planning, succession planning and reporting Human Resource performance could be improved and recent emerging issues raise concerns about the effectiveness of the Council's Human Resources function;
 - although the Council's approach to managing its information is generally sound there are governance and performance issues that could undermine the delivery of the Council's information strategy; and
 - due to a lack of prioritisation and appropriate governance arrangements for managing assets, the Council does not have an appropriate and agreed Asset Management Strategy which clearly sets out how its assets will be used to deliver its priorities and support service improvements.
- 6 In part three, we conclude that although the Council has embedded performance management arrangements it needs to address weaknesses in its approach to self-evaluation and challenge, and report and account for its performance in a more balanced and transparent way. We came to this conclusion because we found that:
- although the Council has discharged its improvement reporting duties under the Measure it should ensure that it acts more in accordance with Welsh Government guidance;
 - the Council's performance management arrangements are embedded and it recognises that weaknesses in challenge, evaluation and the involvement of scrutiny need to be addressed;
 - whilst the Council has started to improve the way it judges its performance, much remains to be done to address inconsistencies in its evaluation arrangements so that it can better drive improvement and account for its performance in a balanced, transparent and accessible way; and
 - the Council has effective arrangements in place to collect, record and monitor performance information.

Statutory recommendations

Recommendations	
R1	Address the five recommendations made by the Appointed Auditor in his <i>Report in the Public Interest</i> dated March 2013.
R2	Address the outstanding proposals for improvement identified in the Auditor General's work to date.
R3	Address the three recommendations made in the Auditor General's report <i>Evaluation of Social Services contributions to the Medium-Term Financial Plan</i> dated September 2013.
R4	Put in place arrangements that enable the Council to formulate, scrutinise, approve and publish its improvement objectives in a timely way to meet its statutory obligations under the Measure.

Detailed report

Introduction

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

Whilst the Council has made some service improvements, there are weaknesses in its self-evaluation arrangements, the pace of improvement is slow in some key priority areas and there are serious failings in its governance arrangements

Since concluding, in September 2012, that the Council was likely to comply with the requirement to make arrangements to secure continuous improvement during 2012-13 providing it increased the pace of improvement, we have found significant failings in its governance arrangements

There are significant weaknesses in the governance procedures and arrangements at the Council

- 11 The Council's Appointed Auditor issued a *Report in the Public Interest* on 6 March 2013 under section 22 of the Public Audit (Wales) Act 2004. The Appointed Auditor published this report to draw the public's attention to a failure in governance arrangements and inadequacies in the processes adopted by the Council to determine the pay of chief officers. The Appointed Auditor stated:
- 'The decisions taken by the Senior Remuneration Committee were unlawful.
 - There are weaknesses in the governance procedures at the Council:
 - the procedures for the first meeting of a new committee should have been more robust;

- the report presented to the Committee lacked clarity in certain respects; and
- the records of the meeting were inadequate.'

- 12 As a result of these failures, the Appointed Auditor concluded that the Council 'acted unlawfully with regards to this pay-setting process'. The Appointed Auditor made five recommendations around the following key areas: advertisement of meetings; conflicts of interest; procedures for new committees; records of meetings; and clarity and comprehensiveness of reports to committees ([Appendix 6](#)). Avon and Somerset Police are now investigating the issue.
- 13 In addition to this *Report in the Public Interest*, the Appointed Auditor has previously written to the Council in relation to weaknesses in its governance arrangements on two separate occasions:
- In January 2010, he wrote to the Council's Chief Executive about deficiencies in the report to Cabinet regarding the sale of Islwyn Borough Transport, including the omission of certain relevant information.
 - In May 2012, he wrote to the Deputy Chief Executive identifying concerns that the decision to approve a loan to Bedwas Rugby 2011 Limited on 3 November 2011 and the imminent payment of the loan to the club were potentially unlawful. The exempt report dealing with the proposal did not provide members with all of the information that it would be reasonable to consider in order to make a decision

to approve or not approve the loan. An updated report to Council considered the relevant and appropriate information that it would be reasonable to consider in order to make a decision to approve or to not approve the loan rendering the subsequent decision lawful.

- 14 Important lessons from these two situations were identified by the Appointed Auditor and in his May 2012 letter he stated 'It would appear that the Council did not take on board the messages we reported to you at that time about the quality of reports to support Council decision making'.
- 15 As a result of the Appointed Auditor's *Report in the Public Interest*, the Council is undertaking its own disciplinary investigation, although this is currently on hold pending an ongoing police investigation. The Auditor General has also decided to undertake a Special Inspection that will focus on the Council's governance and decision-making arrangements. As part of this inspection, the Auditor General will work with the Appointed Auditor to assess the progress the Council has made in addressing the recommendations made by the Appointed Auditor in his *Report in the Public Interest* issued in March 2013 and the wider governance issues highlighted throughout this report.

Whilst the Council has discharged its improvement planning duties under the Measure in 2012-13 and acted in accordance with Welsh Government guidance it has failed to discharge some of its improvement planning duties for 2013-14

- 16 The Council's plan, *Improvement Objectives 2012-2013, Including Summary of Progress 2011-12 (the Plan)*, was published in both English and Welsh within the timeframe set by the Welsh Government, albeit due to translation issues the Welsh version was published on the Council's website some three weeks after the English version. Both were made available in electronic format on the Council's website and hard copies of the bilingual Plan are available upon request and a summary of the improvement objectives was published in the September publication of its newsletter *NewsLine*.
- 17 As the Council had a change in administration as a result of the May 2012 elections, where the Labour party now hold 49 of the 73 seats available, the new Council planned at the time to review the Council's improvement objectives, review service delivery and identify specific areas where improvements will benefit those most in need during 2012-13.

- 18 The Council had a lead senior officer responsible for each of its improvement objectives. Each year the Council undertakes a detailed assessment of each improvement objective to confirm its legitimacy and to determine future objectives, measures and progress. Aspects of these assessments form the basis of its Plan.
- 19 Other than some minor amendments to wording, the eight improvement objectives for 2012-13 remained largely unchanged from the previous year. The Plan set out what the Council wanted to achieve and what it would do during 2012-13.
- 20 The Council confirmed that there was no specific overall consultation completed for 2012-13 improvement objectives. However, given that the improvement objectives remained largely unchanged since the previous year, the Council used existing consultation and engagement mechanisms and results to inform the selection of improvement objectives for 2012-13. Despite this, the scope of this consultation could be improved. An example of this relates to Improvement Objective 3, 'Sustain the range of Employment Opportunities for residents', where the Council missed the opportunity to consult with agencies and business groups around how best to achieve this specific objective. It is recognised that the May 2012 local government elections impacted on its ability to consult as widely as in previous years but in future years it will be important for the Council to build sufficient time into its arrangements to ensure the range of stakeholders, as defined in the Measure, are consulted effectively.
- 21 The Welsh Government's guidance states that improvement objectives should be legitimate, clear, robust, deliverable and demonstrable. Whilst the Council's Plan and its improvement objectives do reflect some of these aspects better than others, there are still some areas where improvements could be made. The line of sight between the individual improvement objectives and some of the Council's Service Improvement Plans (SIPs) should be made clearer to ensure that the Council can consistently demonstrate that objectives are being achieved. For example, the Learning, Education and Inclusion Service Improvement Plan showed limited connection to the improvement objectives whilst the links between the relevant improvement objective and the Adult Service's Service Improvement Plan were clearer. Service improvement plans did not include a formal annual financial assessment of relevant improvement objectives to ensure that resources were clearly aligned to priorities. However, Adult Services have identified key risks around financial management and impacts on future budgets and are intending to develop a three-year financial assessment. Such financial assessments, if consistently adopted across the organisation, would further help the Council's financial planning to ensure that its priorities for action, especially in the context of reducing resources, are clearly identified and resources are allocated.

- 22 The Council has updated some of its outcomes and corresponding measures to be more outcome-focused. The Plan recognises that there is a need to 'develop measurements to better judge the beneficial impact of this work'. Ensuring that improvement objectives have robust and clear measures to better judge the benefits to citizens is an area that we have previously stated needs improving and the Council recognises that this issue still remains to be addressed for some improvement objectives.
- 23 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 sets out specific requirements for local authorities in Wales. They are required to develop and publish equality objectives and a Strategic Equality Plan by 2 April 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must pay consideration to in setting improvement objectives under the Measure.
- 24 Whilst the Council undertook an equalities impact assessment for its 2010-11 improvement objectives, its Strategic Equalities Plan highlights SIPs as the mechanism through which equalities issues are addressed at service level. However, our review found variability between services in having completed these equality impact assessments. For example, the Adult Service's Service Improvement Plan contained a detailed equalities assessment, whilst no such assessment had been completed for the Learning, Education and Inclusion Service Improvement Plan or the Planning and Economic Development Service Improvement Plan. If the Council is to demonstrate that all its improvement objectives remain relevant, robust and legitimate then equality impact assessments should be undertaken consistently across all services. Work undertaken by the Council's Performance Management Unit had also identified this inconsistency and it is yet to be addressed.
- 25 The Council has failed to discharge some of its improvement planning duties under the Measure for 2013-14 as it did not publish its Improvement Plan for 2013-14 within a reasonable timescale¹. In our October 2012 *Improvement Assessment Letter* we identified that the Council needed to ensure that it allowed sufficient time in its arrangements to consult with an appropriate range of stakeholders. Despite raising this as an issue last year and making a proposal for improvement the Council did not subsequently put in place arrangements that enabled it to formulate, scrutinise, approve and publish its improvement objectives in a timely way to meet its statutory obligations.

¹ In the absence of exceptional circumstances, we would consider it reasonable to expect a council to make arrangements to formulate, scrutinise, approve and publish its improvement objectives before the end of the first quarter of the financial year to which they relate. The Auditor General's Letter to local authority Chief Executives dated 1 February 2011 provides further information.

The Council's progress against regulators' recommendations and proposals for improvement is mixed and often slow and although it has accepted that accountability arrangements to manage and deliver the findings from audit and inspection work need to be strengthened, arrangements have not been put in place

- 26 In our October 2012 *Improvement Assessment Letter* to the Council we reported that a common theme throughout a number of the proposals for improvement that we had made in previous years is the need for the Council to ensure a more balanced and robust self-evaluation and reporting of performance, including whether improvement objectives have been achieved, by using measures that will enable it to demonstrate the impact that it is having on the lives of its citizens.
- 27 Progress against proposals for improvement has been mixed. Some progress had been made in addressing some proposals for improvement. For example, the Council has taken steps to address our proposal for ensuring that managers are equipped with the skills to be able to hold their staff to account and have produced an asset management strategy. However, for a number of other proposals for improvement progress has been slow or limited, for instance the development and implementation of consultation and engagement strategies and addressing Human Resources' proposals for improvement. We have provided clarification to officers on the nature and scope of

our proposals for improvement and will continue to monitor the Council's progress in addressing them.

- 28 Estyn, in its July 2012 Inspection, found that 'The Authority has not always responded consistently to recommendations from previous inspections of local authority education services. It has now improved its systematic monitoring of post inspection action planning and delivered progress in some key areas. Nevertheless, there are significant challenges where the Authority has not made enough progress such as the removal of surplus capacity from its secondary schools.'
- 29 CSSIW in its *Annual Review and Evaluation of Performance for 2011-2012* stated that 'Progress has been made across almost all areas for development and is evidenced robustly by the local authority'.
- 30 The Council recognises that it needs to further strengthen its accountability and scrutiny arrangements to better manage, report, and address improvements proposed by regulators and inspectorates. The Council's management arrangements for systematically reporting, monitoring and holding officers to account for addressing proposals for improvement in our reports are not currently consistent or robust. Whilst the Council has ensured that scrutiny committees are a part of its performance management framework, scrutiny and accountability arrangements should be further strengthened as scrutiny should play a key role in ensuring that the governance arrangements for regulator and inspectorate reports are robust.

31 When we reported our October 2012 *Improvement Assessment Letter* the Council fully accepted that it needed to improve the way it managed and reported progress in relation to our proposals for improvement. Previously its action plans were incomplete and no action plans were reported in relation to our *Annual Improvement Report 2011* or the *Corporate Assessment Update Letter* August 2011. This lack of transparency and accountability made it difficult for members and officers of the Council, and its citizens and regulators, to assess progress. The Council told us that it would regularly report the progress it was making in addressing our proposals for improvement to the Audit Committee. However, there have been no progress reports to the Audit Committee. This lack of action raises further concerns about the Council's ability and commitment to improve its governance arrangements.

32 In October 2012 the Council informed us that in future, Annual Improvement Report action plans will also be reported to Cabinet so that progress can be monitored. It also introduced a process to ensure that all regulatory, inspection and audit reports are reported to the Audit Committee. In order to improve these arrangements we have provided the Council with suggestions on how the role of the Audit Committee could be strengthened to ensure that it is meeting the requirements of the Local Government (Wales) Measure 2011 and becomes an effective governance and assurance mechanism for the Council.

33 The Council needs to increase the pace with which it addresses our proposals. It will be important for the Council to be able to demonstrate that proposals for improvement are being addressed and that the Council can evidence that it has arrangements in place to secure continuous improvement.

Although the Council has to date responded to the financial challenges it has faced and secured savings in advance of need, it does not have a rigorous approach to developing business cases or to setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges

34 To date, the Council has responded to the financial challenges it has faced. In particular, the Council has taken a proactive view in identifying its savings requirements allowing it to plan ahead in a measured way.

35 The Council first introduced a Medium-Term Financial Plan in 2009. This identified a cumulative savings requirement of £25 million by 2014-15. In February 2013 the Council set out its revised Medium-Term Financial Strategy 2013-2016, covering the three financial years from 2013-14 to 2015-16. The Council reports that it has already achieved the cash savings target of £5.1 million for 2013-14. The document identifies additional savings requirements of £2.9 million in 2014-15 and £3.2 million in 2015-16.

- 36 There has been a good level of engagement by members in the medium-term financial planning process. Proposals were circulated to all members of the Council and the recognised trade unions and the Deputy Chief Executive and Head of Corporate Finance met with each of the Council's political groupings. Other stakeholders have been involved, primarily through engagement in setting improvement objectives and in service delivery rather than directly in the setting of budgets.
- 37 The Council has an established business and improvement planning process that is designed to ensure that service priorities are built up through SIPs that feed into the Medium-Term Financial Plan. We have previously reported that work on SIPs indicated that there was some variability in their robustness and we made a proposal for the Council to improve (Appendix 5).
- 38 As part of the Council's agenda to deliver more efficient, effective and sustainable services, it is involved in a number of collaborations. These include; participation in the Gwent Frailty Programme, collaboration in the Education Attainment Service across the five councils in Gwent, Project Gwyrdd² with four neighbouring councils, and agency staff procurement with Cardiff Council. However, financial efficiencies or improved outcomes to the Council are yet to be demonstrated as many of these collaborations are in the early stages of development or implementation.
- 39 We are currently undertaking a review of the Council's approach to collaboration, and will report on this in due course.
- 40 During 2012-13, we undertook a more detailed review of the Council's approach to financial planning in social services. Overall, we found that although social services is managing within overall budget, the Council does not have a rigorous approach to developing business cases and setting, delivering, monitoring and evaluating savings in order to meet future demands and challenges. We came to this conclusion because:
- the potential impact of the social services integration with Blaenau Gwent County Borough Council was not factored into the Council's medium-term financial plan and it did not have a fully costed business case for the integration;
 - except for the small overspend in the social services budget in 2011-12, which was due to a non-recurrent event rather than a trend, social services has achieved underspends every year for the past five years;
 - the savings target for 2011-12 reduced due to a better-than-expected Revenue Support Grant settlement but the Council missed the opportunity to take a strategic view of social services in order to address the increasing demands upon the service;

² Prosiect Gwyrdd is a partnership between five councils (Caerphilly, Cardiff, Monmouthshire, Newport, and the Vale of Glamorgan) that aims to look for the best environmental, cost effective and practical solution for waste after recycling and composting has been maximised in each council area.

- although social services develop a range of savings options they do not consistently or robustly identify the expected and actual benefits of the savings and monitoring the delivery of savings is poor; and
- the Council undertook some analysis of statutory and non-statutory services in 2010 but it has not yet considered these as part of a strategic approach to financial planning linked to its corporate priorities.

41 The Auditor General has made both recommendations and proposals for improvement ([Appendix 5](#)).

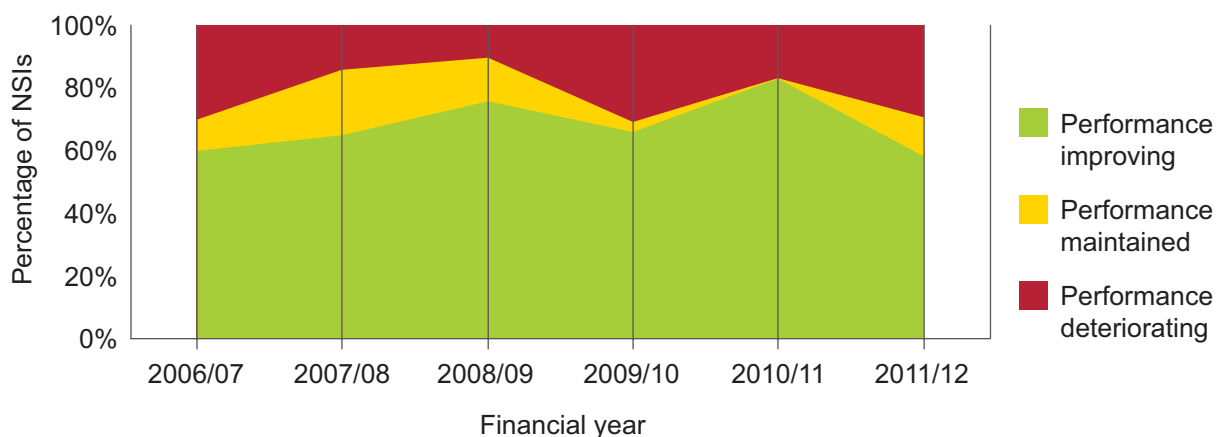
The Council's performance in improving services in 2011-12 has been mixed and it has been slow to address some key priority areas

42 The Council published its annual self-evaluation, Performance Report 2009-2012, in October 2012 (*the Performance Report*). The Council's own analysis of performance against the 24 national statutory indicators shows a notable decline in the number of indicators that have improved in 2011-12 when compared with the previous year. The Council's analysis of the national strategic indicators in 2011-12 reveals that of the 24 indicators reported, 14 (58 per cent) improved, three (13 per cent) were unchanged and seven (29 per cent) deteriorated. The proportion of performance indicators that have deteriorated has increased from 15 per cent in 2010-11 to 29 per cent in 2011-12.

43 **Figure 1** shows that the percentage of indicators that improved compared with the previous year had generally been increasing between 2006-07 and 2008-09. The percentage of indicators improving in 2011-12 is below the level achieved in 2006-07. Although the percentage of national strategic indicators meeting or exceeding the Welsh average has been maintained at 67 per cent, the percentage of performance indicators that have improved when compared with the previous year has declined significantly from 77 per cent in 2010-11 to 58 per cent in 2011-12.

44 Whilst performance against national indicators is an important means of measuring performance, the Council also uses other local measures to determine its performance. However, there is no

Figure 1 – The Council's analysis of national strategic performance indicators for the past six years



overall summary analysis of the Council's performance against local measures in its Performance Report. Our analysis of the 2011-12 local performance measures reveals that 69 per cent improved, 24 per cent deteriorated and seven per cent maintained their performance compared with the previous year.

- 45 The Council's Performance Report does not include information about whether it met its own expectations (targets) in terms of performance during 2011-12. However our analysis shows that for 23 of the 24 national strategic indicators where targets were published in a separate report (*Improvement Objectives 2011/12*), 14 of its targets (61 per cent) were met and nine (39 per cent) were not. Five of the nine national strategic indicators where performance did not meet their target are in the area of social care.
- 46 In 2009, the Council published a three-year plan containing 13 priorities. In 2011-12 the Council identified eight improvement objectives (see [Appendix 4](#)) linked to its four 2009-2012 themes:
- Building Better Public Services
 - Building a Vibrant Economy
 - Building Better Lifestyles
 - Building Futures, Changing Lives
- 47 Below we provide a brief analysis of how well the Council is performing in delivering improvement against its improvement objectives.

The Council provides citizens with a range of channels to access its services but has been slow to progress improvements to the way it engages citizens

The Council continues to be slow in improving how it engages with its citizens and listens to what customers say about its services

- 48 Despite having a key priority since 2009-10 to improve the way in which the Council engages citizens and listens to customers, there has been limited progress made over the last two years. In our *Annual Improvement Report* last year we stated that 'progress in reviewing how the Council manages complaints and uses customer feedback to improve services had been slow'.
- 49 It is disappointing to note that the majority of actions to be delivered in both 2010-11 and 2011-12 have not been completed or have been delayed. There has been little progress with delivering key actions in the past two years, particularly those relating to the implementation of the new complaints process and the Public Engagement Strategy.
- 50 Although the Council adopted its Social Media Strategy, other key strategies have been delayed. For example, the Public Engagement Strategy was due to be completed by September 2011 but was only reported to Cabinet in April 2013 and the Complaints Policy has also been delayed. The Tell us Once Service went

live in October 2011, four months after its target date due to delays beyond the control of the Council and had a take up rate of approximately 94 per cent. Customer Service Centres were opened in Bargoed and Risca but the Caerphilly Customer Service Centre, due to open at the end of 2012, had been delayed until April 2013 and has now been further delayed until November 2013.

51 It is difficult to evaluate improvement as many of the measures the Council uses focus on completing actions rather than measuring improvement and the impact of those actions in better engaging and listening to citizens. Those measures that seek to assess impact do not have results for 2011-12 as no View Point panel³ surveys have been undertaken. This means that the Council did not have meaningful data on the views of citizens on its performance and impact in 2011-12.

52 The Council is in the process of undertaking another Household Survey (June 2013) which provides it with an opportunity to measure and evaluate citizen opinion about its services, and actively use this information to plan and improve future service provision. The results from the last Household Survey in 2011 showed that 78 per cent of respondents were satisfied with the overall services the Council provides and the Council wants to increase this satisfaction rate by a further five per cent in 2013.

53 Each year, the Public Services Ombudsman for Wales (the Ombudsman) publishes an annual report for each public body setting out their performance. This is a good indicator of how well councils manage complaints. In his most recent annual letter to the Council for 2011-12, the Ombudsman outlined that the numbers of complaints received by him about Caerphilly increased from 47 in 2009-10 to 54 in 2010-11 and again increased in 2011-12 to 58. The numbers of complaints taken into investigation also rose from three in 2010-11 to five in 2011-12 but this is significantly less than the 18 investigated in 2009-10. Although the numbers of complaints received and investigated are above average when compared to other Welsh councils, no complaints were upheld in 2011-12. The largest number of complaints related to Planning and Building Control, followed by Housing and Children's Social Services. The Ombudsman highlighted that the Council's response times for providing information compare positively with the local authority and all-Wales averages, although he felt there is still room for improvement in this area.

54 The Council responded to and resolved 94.2 per cent of complaints it received in 2011-12 within the target times it set itself. Performance has been approximately 94 per cent over the past three years. Whilst performance is not declining, there has been little improvement in performance. Having a lower target (of 80 per cent) than its performance in previous years will not help the Council to improve.

³ The Caerphilly Viewpoint Panel comprises approximately 1,000 people who live in Caerphilly. Panel members are asked to complete some postal questionnaires a year about services and are also invited to meetings to discuss topics.

The Council provides citizens with a range of channels to access its services but its strategic approach to customer services is fragmented and in need of updating, and it does not effectively evaluate its customer services provision

55 During 2012-13, we undertook a review of the Council's approach to improving the way in which citizens access its services. Our review found that the Council provides citizens with a range of channels to access its services but its strategic approach to customer services is fragmented and in need of updating, and it does not effectively evaluate its customer services provision. We came to this conclusion because:

- the Council has accessible customer service arrangements across a range of channels but there is a need to understand and improve the efficiency and effectiveness of these arrangements to improve services for citizens;
- there is a significant amount of operational customer service activity but the Council's strategic approach to customer services is fragmented and its customer care strategic framework, while it has been reviewed, has not been updated since 2005; and
- although the Council monitors and reports a limited number of performance measures it is not able to fully evaluate the effectiveness of its customer services.

The Council has robust arrangements for the administration of its language scheme and for assessing impact of policies but needs to improve the Welsh language provision on its website

56 The role of the Welsh Language Commissioner (the Commissioner) was created by the Welsh Language (Wales) Measure 2011. Over time, new powers to impose standards on organisations will come into force through legislation. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993. The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of local authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every local authority 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. The Commissioner's comments in relation to Caerphilly are as follows:

57 'The Council has a system in place to record the Welsh language skills of staff, but the information is not complete and the Council has committed to improve by enabling staff to input the information themselves. As was noted last year, there is further work to be done in order to improve the Welsh language provision on the Council's website.

Significant improvement is expected in this area in the coming year. The Council invests in Welsh language training for its workforce and in a period of limited external recruitment, there will need to be continued investment in the provision and it will need to be planned effectively. There are robust arrangements in place for the administration of the Language Scheme. Guidance is available for staff on a number of policy areas through supplementary guidelines and service level improvement plans are used to deliver the Language Scheme's commitments. There is a robust system and action plan in place for assessing the impact of new and revised policies on the Welsh language.'

The Council's efforts to regenerate and support the economy have had a mixed impact

The Council continues to prioritise new approaches to creating jobs, supporting businesses and helping people to find jobs, although unemployment levels remain higher than the Welsh and UK averages and the number of active businesses in Caerphilly has fallen

58 The Council recognises the serious challenge it faces in the current economic climate to help people into work. It has had an improvement objective related to sustaining and increasing the range of employment opportunities for local residents for the last three years. In 2011-12, the Council focused on a range of actions including programmes to provide people with

the necessary skills and education to gain employment, supporting small and medium businesses, and developing solutions specific to local areas.

59 More than 4,900 additional people participated in its programmes, such as Bridges into Work and Genesis 2, which are designed to help people gain employment, and 16 local community job clubs have been established. The Jobmatch programme, which was targeted at women and lone parents, supported over 1,000 people into employment. Some 162 people benefitted from the Apprenticeship scheme. Through grant funding and business support, the Council has helped create 72 new jobs and safeguarded over 1,450 jobs within the area. A digital business network, GO2 My Town, is now operating in Rhymney and Bargoed.

60 One of the Council's planned programmes, the Basic Skills (now called Essential Skills) in the Workplace Project⁴, was delayed pending finalisation of the funding contract with the Department for Education and Skills. However, the programme did subsequently commence in September 2012 and to date, the Council has signed up three companies and is delivering training to eight employees.

61 Of the 10 measures of performance it uses to judge how well it is performing, nine measures reported an improvement in performance when compared with the previous year and the Council achieved its planned improvements in eight of the measures it set itself. However, these measures only provide a partial picture.

⁴ Essential Skills in the Workplace is a European Social Fund funded project led by the Department for Education and Skills. Working in partnership with Training Providers and employers it aims to raise awareness of the benefits of a skilled workforce.

Whilst performance should be seen in the context of the current economic climate, performance against national comparative data available from the Office for National Statistics Information Service (NOMIS) suggests a mixed picture of success:

- The percentage of people claiming Job Seekers Allowance in the area has increased from five per cent in September 2011 to 5.2 per cent in September 2012. The Welsh average similarly increased from four per cent to 4.1 per cent whilst the UK average decreased from 3.8 per cent to 3.7 per cent over the same period. The figure for January 2013, shows that the number of claimants has continued to increase and now stands at 5.5 per cent for Caerphilly and continues to be above the Welsh average of 4.2 per cent and UK average of 3.8 per cent.
- The level of unemployment in Caerphilly increased from 10 per cent in March 2011 to 10.8 per cent in March 2012. But unemployment levels in Caerphilly have tended to remain constant over the past two years fluctuating between 9.8 per cent and 10.9 per cent. The latest figures on NOMIS show that unemployment in Caerphilly was at 9.8 per cent in September 2012, which is its lowest level for two years. However, the unemployment rate in Caerphilly continues to be above both the Welsh average of 8.4 per cent and UK average of 7.9 per cent, both of which have also

remained fairly constant over the past two years.

- The Council reports that in 2011-12 it supported 34 new business start-ups taking the number to over 75 over the past three years. National data published by the Office of National Statistics shows that the number of active business enterprises in Caerphilly in 2011 was 3,685, 75 less than the 3,760 in 2010. Some 87 per cent of business start-ups are still trading after one year which is a comparable survival rate to that of the UK.
- More positively, the percentage of 16 year olds who are not in education, employment or training has fallen from 6.0 per cent to 4.5 per cent between 2010-11 and 2011-12 and close to the Welsh average of 4.4 per cent for 2011-12.

62 As a measure of success, the UK Competitiveness Index⁵ is another barometer to judge how well councils, regions and countries in the UK are performing in attracting new private sector investment as well as supporting existing businesses to flourish. Because the index is published every two years data is not available to make an assessment for 2011-12. In 2009 and 2010, Caerphilly was ranked 377 out of 379 localities in the UK. Comparatively, Wales is the least competitive region in the UK.

⁵ UK Competitiveness Index (UKCI) was first introduced and published in 2000 by University of Wales Institute, Cardiff. It represents a benchmarking of the competitiveness of the UK's regions and localities. The UK Competitiveness Index has been designed as an integrated measure of competitiveness focusing the development and sustainability of businesses and the economic welfare of individuals.

The Council has a generally effective and customer-focused housing benefit service but there has been a marginal deterioration in performance in some key measures

63 In common with other Welsh councils, the rate of increase in the number of claimants for housing benefit during 2011-12 slowed. The caseload in Caerphilly increased by one per cent from 21,760 claimants in March 2011 to 22,060 in May 2012. The Council stated that the introduction of the Automated Transfers to Local Authority System (ATLAS) during 2011-12 resulted in additional workload during the year which impacted upon performance.

64 Performance on key indicators did not improve between 2010-11 and 2011-12 but this performance should be seen in context as the Council reduced the numbers of staff by nearly seven full-time equivalents over the same period:

- Average processing times for new claims remained static over the last two years at 25 days and this is longer than the Welsh average of 20 days for 2011-12.
- The average time taken to process change of circumstances notifications remained at eight days over the last two years and is longer than the Welsh average of seven days.
- Performance on identifying and recovering overpayments, dealing with fraud referrals and investigations and the number of applications for reconsideration or revision remained unchanged for the last two years.

- The percentage of new claims decided within 14 days of receiving all information has declined slightly from 88 per cent in 2010-11 to 87 per cent in 2011-12 and is below the Welsh average of 91 per cent.

- The percentage of claims calculated correctly has declined from 97 per cent in 2010-11 to 94 per cent in 2011-12. However, the Council has appropriate measures in place to ensure quality and reduce error and is working proactively to maintain accurate housing benefit payments. The Council has not lost any housing benefit subsidy from the DWP during the last two years.

65 On a more positive note, the Council has:

- reduced the percentage of claims outstanding for more than 50 days from four per cent in 2010-11 to three per cent in 2011-12, which is better performance than the Welsh average of six per cent;
- received eight appeals in 2011-12 compared with 29 in 2010-11 and the average time taken to process these appeals has improved from 52 days in 2010-11 to 36 days in 2011-12; and
- embedded new call centre operations including the use of scripts to assess initial entitlement and basic eligibility checks.

The Council's performance in relation to health and social care is mixed

Whilst the health profile of Caerphilly county borough remains poor, there are signs of improvement

- 66 One of the Council's improvement priorities has been to help improve the poor health profile of Caerphilly county borough, through promoting the benefits of a healthy and active lifestyle. In 2011-12, the Council focused on making the area attractive and accessible to encourage people to become more active, working with schools to improve the health and activity levels of children, and developing a range of initiatives to encourage adults to be more active.
- 67 The Council has made good progress in delivering the actions it set out in its 2012 Improvement Plan, particularly those relating to increasing the health and activity levels of children. It has continued to work with key partners to take these forward.
- 68 There was an increase in the number of children who registered to participate in the Dragon Sport initiative, run jointly with Sports Wales and the National Governing Bodies of Sport, from 10,072 in 2010-11 to 10,496 in 2011-12. The Council also introduced the Young Ambassadors scheme to promote sports and volunteering, and installed new astro turf pitches at three of its leisure centres. The number of people visiting the Council's leisure centres and indoor sports facilities increased from 1,115,342 in 2010-11 to 1,148,638 in

2011-12. Similarly, the number of people taking part in Sports Caerphilly activities, both multiple and single visits, increased by nearly 25 per cent.

- 69 This has resulted in the Council improving most of its activity-based performance measures in this area. Of the 19 measures it uses to judge how well it is improving in this area, 14 (74 per cent) showed improvement, two maintained 100 per cent performance and three declined. For example, the numbers of Smartcard holders and people taking part in Sports Caerphilly activities have increased for the third year running. The number of settings involved in the Healthy Early Years scheme has seen similar improvement although it did not quite meet the Council's target. However, despite all schools offering nutritionally balanced meals and being engaged in the Healthy Schools programme, the take up of school meals across primary schools reduced to its lowest level for three years from 43.32 per cent in 2009-10 to 36.03 per cent in 2011-12.
- 70 The Council knows that the health profile of Caerphilly county borough remains poor and recognises the need to work in partnership to improve the health of its community. There have been some improvements in key national outcome statistics. For example:
- it has improved its rank in the All Cause Mortality rates from 18th to 14th out of 22 local authorities in Wales; and

- life expectancy for both women and men has improved between 2008-09 and 2011-12 from 79.3 to 80.8 years for women and from 74.9 to 76.1 years for men.

71 However, levels of obesity are still the worst in Wales. Based on self-reported data, 62 per cent of the adult population in the county borough can be categorised as overweight or obese.⁶

Whilst the levels of independent living amongst adults remains high there are signs of declining performance, the Council has not achieved its own planned improvements in some areas and social services face significant challenges and are likely to be unsustainable without implementing new ways of working

72 The Council has an improvement objective to ensure that 'all adults who are in the social care system are able to lead a full, active and independent life'. In 2011-12 the Council continued its focus on improving the timeliness and the quality of client assessments and it made good progress in delivering a range of actions.

73 The Council improved its quarterly case file audits to help it monitor the quality and timeliness of its assessments more effectively. It has made use of more qualitative information to better understand the outcomes for individuals and involved practitioners in these audits to help share good practice. The audits have also been used to identify staff training needs. These assessments are now also monitored

through the locality Continuing Health Care panel meetings which were established in 2011-12 and involve representatives from Aneurin Bevan Health Board. However, lack of capacity within Community Nursing has impacted upon the timeliness of assessments. In October 2011, the Council also undertook a survey of users who had received a social services assessment. The overall response rate was quite low at 30 per cent but of these, over 90 per cent indicated they were happy with the service they received and 80 per cent of respondents stated they received the outcome expected from their assessment.

74 An analysis of the Council's adult social care performance measures where prior year performance was available, showed improvement in 10 out of the 15 measures from 2010-11 to 2011-12 as reported in the Council's Performance Report when compared with the previous year. For example:

- Performance in relation to delayed transfers of care, per 1,000 population aged 75 or over, improved for the third year running from 9.77 in 2009-10 to 8.02 in 2011-12. However, this performance was still worse than the Welsh average of 5.03. The Council's performance in 2011-12 placed it 20th out of 22 councils in Wales, that is, the third worst performer.
- The number of people aged over 65 residing in care homes decreased slightly from a rate of 20.8 per 1,000 population aged over 65 or above in 2010-11 to 20.2

6 Health, Social Care and Well-Being Strategy for Caerphilly County Borough Council 2011-14

in 2011-12, thereby meeting the Council's target of 23.5. This performance was better than the Welsh average of 21.35 and for the last two years this has placed the Council 9th out of 22 councils in Wales.

- The percentage of assessments started on time improved for the second year running from 65.4 per cent in 2009-10, to 71.9 per cent in 2010-11, to 80.1 per cent in 2011-12 but fell short of meeting the Council's own target of 90 per cent.
- The time in which adaptations for disabled people were provided improved from 390 days in 2010-11 to 333 days in 2011-12 and was within the Council's target of 380 days. Performance was worse than the Welsh average of 326 days in 2011-12 and placed the Council 14th out of 22 councils in Wales.
- The number of adults waiting for an assessment outside the 28-day timescale deteriorated from 65 in 2010-11 to 127 in 2011-12 but was within the Council's target of 150. The Council states in its annual Performance Report that the number of assessments required to be undertaken increased by some 570.
- The percentage of mental health assessments completed on time by the Council also deteriorated from 92 per cent in 2010-11 to 88.8 per cent in 2011-12 and did not meet its target of 90 per cent.
- The number of people waiting to access day care for more than 28 days increased from five in 2010-11 to six in 2011-12 against the Council's target of 0.

75 However, the Council is not achieving its own planned improvement in some measures and there are signs of deteriorating performance in some areas:

- Older people helped to live at home per 1,000 population aged 65 or over deteriorated for the second year in a row from 152.92 in 2009-10, to 144.58 in 2010-11, to 143.96 in 2011-12. The Council did not meet its own planned improvements in this area as it did not achieve its target of 150 for 2011-12. Despite this deterioration, the Council's performance was the best in Wales in 2011-12.

76 CSSIW published its Annual Review and Evaluation of Performance for 2011-2012 for social services in Caerphilly in October 2012. The evaluation report outlines a number of areas of progress as well as areas for improvement or development. CSSIW stated that social services has a strong tradition of partnership working and works well in partnership with other councils. The report can be found on the CSSIW website: www.wales.gov.uk/cssiwsite/newcssiw/publications/lareviews/20112/?lang=en. The following paragraphs are taken from the report:

'Adult services continue to be strong. The council has been active in improving mental health services, with its partners in the Aneurin Bevan Health Board in response to the homicide enquiry recommendations.

Services for people with learning disabilities have improved considerably year on year, and are benefitting from improved integration between health and social services. The strong emphasis on reablement services has supported people to maintain independence. Caerphilly has a strong track-record of involving people who use services effectively both in planning new services and in the re-design of existing ones. CSSIW has confirmed this in discussion with people who use services.'

77 CSSIW identified two areas of good practice:

- 'Adult Safeguarding: This is well resourced with a robust infra-structure. Statutory partners have been well engaged and the profile of safeguarding within health services has been enhanced. The council applies effective self audit to continue improvement and effectively links procurement and contract monitoring to safeguarding.
- Application of the escalating concerns procedure: Effective monitoring of commissioned services was exemplified by the withdrawal of contracts from a provider which was upheld by judicial review adult safeguarding and the application of the escalating concerns procedure.'

78 CSSIW also identified the following potential risks:

- 'The integration agenda raises very complex issues. The robust governance arrangements put in place will be crucial to ensuring that accountability remains clear at all levels.

- During a period of potential change business continuity will need to be sustained to ensure people experience continuity of service.'

80 Since 2011, the Council had been pursuing integration of its social services functions with Blaenau Gwent County Borough Council. Given the financial constraints on Council budgets, it was recognised that integration offered real benefits to both improve the quality and range of services offered to vulnerable people but also support the creation of more sustainable services. The integration was put on hold whilst both partners formally reviewed progress. In April 2013, the Council decided not to pursue integration but to consider individual service specific collaborative arrangements. However, our recent review of the Council's approach to financial planning in social services review found some significant weaknesses, including the lack of a costed business case to inform the decision on the proposed collaboration (see [paragraph 40](#)).

81 It should be noted that Caerphilly's Director of Social Services and the joint post holder of Head of Children's Services have recently taken up positions outside of the Council. Although the Council has put in place interim arrangements, these management changes combined with service performance presents capacity challenges and risks for the Council.

The Council and its partners are strongly committed to the Gwent Frailty programme vision and have created a sound programme management framework to underpin it. Gwent Frailty is in the early stages of implementation and challenges remain to ensure it is sustainable, to change established behaviours and to demonstrate its impact

- 82 From 4 April 2011, Aneurin Bevan Health Board and Blaenau Gwent, Caerphilly, Monmouth, Newport and Torfaen Councils began implementing an ambitious integrated model of health and social care called the Gwent Frailty Programme. The Gwent Frailty Programme has legal status under a Section 33 Partnership agreement between the health board and the five local authorities and is supported with £6.9 million of Invest to Save Funding from the Welsh Government. The Gwent Frailty Programme's aims have significant relevance to the way in which the public sector bodies involved use their resources and are central to the delivery of improvement priorities at all agencies involved.
- 83 In 2011-12, the Wales Audit Office undertook an initial review of the arrangements for GFP implementation, focused on providing early assurance in relation to governance arrangements and direction of travel towards achieving intended aims and outcomes, rather than an evaluation of success. We concluded that partners are strongly committed to the Gwent Frailty Programme vision and have created a sound programme management framework to underpin it. The Gwent Frailty Programme is in the early

stages of implementation and challenges remain to change established behaviours, demonstrate its impact and ensure it is sustainable.

Children's services are effective in safeguarding and promoting the welfare of children and young people in need

- 84 CSSIW states in its *Annual Review and Evaluation of Performance for 2011-2012* that 'There is a range of services that the council either delivers itself, in partnership with other statutory agencies or commissions from voluntary sector services. Work has been done to strengthen services for disabled children and their families, including eligibility criteria which are more inclusive and recognise wider definitions of disability.'
- 85 CSSIW found the performance of the Local Safeguarding Children Board to be a particular area of good practice noting, 'Aspects of good practice were commended in the Overview Report published in 2011 following the national joint inspection of Local Safeguarding Children Boards. They included quality assurance, establishing a strategic direction, establishing collaboration, delivering outputs, promoting learning and promoting safeguarding across the community.'

The Council has made progress but has not yet fully addressed the recommendations from Healthcare Inspectorate Wales. There are limitations in the way the Council monitors and tests the implementation of actions and the way it involves the housing service in the discharge of vulnerable people from institutions

- 86 In June 2011, HIW, supported by CSSIW, published a report following a homicide review. The report found that support to a vulnerable and volatile individual was poorly focused and uncoordinated between social care and health services. The report included several recommendations for both the Council and Aneurin Bevan Health Board to address. The recommendations have been taken seriously by both the Council and Aneurin Bevan Health Board in terms of influencing changes and setting an expectation for services to work in a more integrated manner. This was a demonstration by both organisations of their joint commitment to deliver the necessary action and build a foundation for further integration and joint working.
- 87 Our review, undertaken in September 2012, was limited to the recommendations that related to the Council's Housing Service. The review concluded that: The Council has made progress but has not yet fully addressed the recommendations from HIW. There are limitations in the way the Council monitors and tests the implementation of actions and the way it involves the housing service in the discharge of vulnerable people from institutions. We came to this conclusion because:

- the Council has arrangements in place to manage delivery of the housing recommendations but these need to be strengthened to ensure actions that are reported as complete are finished and appropriate;
- the Council is making progress with addressing the housing recommendations but they are not yet complete and the action plan updates at January and July 2012 incorrectly notes that three recommendations are completed; and
- there are some positive aspects to the Council's systems for managing the housing of vulnerable people discharged from institutions, but limitations in the joint and operational working with the housing service mean we can give no assurance that appropriate systems are now in place.

- 88 Both organisations have continued to review the progress with the action plan but there is a need to ensure that there is a mechanism in place to provide ongoing evaluation. This has been accepted by both organisations as part of this specific review.

The Council with its partners has continued to make good progress in making Caerphilly county borough a safer place to live

- 89 The Council identified a range of actions in 2012 to help citizens feel safer in their communities. These included organising for community safety wardens to be on proactive patrols, maintaining a 24/7 CCTV network and undertaking targeted enforcement actions against those responsible for littering, fly tipping and dog fouling. The Council has continued to work closely with its partners through the Safer Caerphilly Community Safety Partnership to take forward these actions.
- 90 It has undertaken operations to tackle the sale of alcohol to underage people and successfully prosecuted the owners of an off-licence in Rhymney. The number of fixed penalty notices issued for dog fouling increased from 46 in 2010-11 to 59 in 2011-12. Likewise, the number of fixed penalty notices issued for littering increased from 65 in 2010-11 to 139 in 2011-12, and the Safer Caerphilly Volunteer Network has continued to increase in membership from 217 in 2010-11 to 235 in 2011-12.
- 91 A review of the Council's performance in this area showed that the Council made good progress in delivering its community safety priority in 2011-12 compared with the previous year. The Council used 12 measures to assess its performance and it improved in all but one of its performance measures in 2011-12 when compared with

the previous year's performance. We were able to identify eight performance measures that had targets set for 2011-12 and our analysis reveals that six met their targets and two marginally missed their targets. Other measures also show that community safety in the county borough is improving, including:

- The Local Public Confidence Survey showed that there has been a steady increase in the percentage of respondents agreeing that the police and the Council are dealing with anti-social behaviour and crime issues. The percentage agreeing increased from 51 per cent in 2009-10 to 53 per cent in 2010-11 and to 58 per cent in 2011-12, meeting the Council's target of 54 per cent in 2011-12.
- Reported crime fell by 11.5 per cent between 2009-10 and 2010-11 and continued to fall by 13 per cent between 2010-11 and 2011-12.
- Incidents of anti-social behaviour reported to the police in 2011-12 have fallen by 35 per cent when compared to 2010-11. They fell by 30.2 per cent between 2009-10 and 2011-12.
- Reports to the Council of anti-social behaviour fell by 24 per cent between 2010-11 and 2011-12.

Education services for children and young people are adequate with adequate prospects for improvement and a new Education Achievement Service for South East Wales has been created and is focusing on improving attainment within schools

92 Estyn⁷ inspected the Council's education services for children and young people in July 2012. Inspectors provide an overall judgement on current performance and capacity to improve. Services are evaluated on a four-point scale: excellent, good, adequate and unsatisfactory.

93 Estyn judged the Council's education services for children and young people as adequate because:

- 'Overall standards are adequate. In 2011 at key stage 3, two-thirds of secondary schools were below average and in key stages 3 and 4 there are too many schools in the bottom quarter for important performance indicators when compared to similar schools on the free-school-meal benchmarks.
- Caerphilly has not met its Welsh Government benchmark at key stage 3 in the last three years.
- Secondary schools have not been held consistently to account for their performance and, as a result, improvement in some schools has been too slow.

- Fixed-term exclusions from schools of five days or less have risen notably.
- Since the last inspection in 2009, there has been little progress in reducing the significant number of surplus places in both secondary and primary schools.'

94 Estyn noted, however:

- 'when the performance of Caerphilly schools is compared with that of similar schools in Wales, based on the percentage eligible for free school meals performance is just above average in key stages 1 and 2;
- performance against the Welsh Government's benchmarks based on free-school-meal entitlement has improved at key stage 4 over the last four years and in 2011 the authority met the two main benchmarks for key stage 4;
- there are effective processes for the early identification of pupils with additional learning needs (ALN) and appropriate support for their physical and learning needs; and
- Caerphilly is successfully reducing the number of young people not in education, employment or training (NEET).'

95 Estyn judged that the Council has adequate prospects for improvement because:

- 'target-setting and self-evaluation are not consistently robust and challenging;
- corporate and statutory partnership planning processes are not aligned;

⁷ Estyn, Her Majesty's Inspectorate for Training and Education in Wales

- progress against recommendations from previous inspections has been inconsistent;
- elected members have not acted quickly enough with regard to the secondary school modernisation strategy and do not challenge underperformance in schools robustly enough; and
- the Local Service Board (LSB) is yet to develop the capacity to hold others to account.'

96 However, Estyn did identify that:

- 'senior leadership within the Education and Lifelong Learning Directorate is strong and is driving the improved challenge and support to schools;
- there is good practice where firm links to planning and appropriate focus on improving outcomes for learners are contributing to measurable improvement in standards;
- the director of education makes sure that appropriate links are made between projects and strategies at service level and those at strategic partnership level in order to add value to the directorate's work; and
- improved alignment of financial and educational outcomes data in planning and performance management is further strengthening the already effective financial management of education services.'

97 A copy of Estyn's Inspection Report can be found on its website at www.estyn.gov.uk. Estyn made a number of recommendations that the Council should address in order to secure the improvements:

- 'implement improvement strategies and specific actions to improve outcomes for learners especially at key stages 3 and 4;
- strengthen the level of challenge to its secondary schools;
- improve the robustness of self-evaluation and target setting;
- align corporate and partnership strategic planning processes in order to make best use of available resources to improve outcomes for children and young people; and
- take urgent action to reduce surplus capacity in schools generally and secondary schools in particular.'

98 In September 2012, the South East Wales Consortium established the Education Achievement Service for South East Wales. The Education Achievement Service has been created by the five local authorities to raise education standards. The Education Achievement Service will monitor, support and challenge schools to improve attainment levels. Planned benefits of the service include increased capacity to support schools that require challenge, using data more effectively to focus on outcomes, identifying good practice across schools that can be used to improve outcomes, more efficient administration and facilitating professional learning communities.

There are key weaknesses in the way the Council manages its people, information and assets

Overall the Council has arrangements in place to manage its workforce but strategic workforce planning, succession planning and reporting Human Resource performance could be improved and recent emerging issues raise concerns about the effectiveness of the Council's Human Resources function

- 99 In 2011, we undertook a review of the Council's human resources and workforce arrangements. Our review focused on assessing whether the Council has arrangements in place to manage and utilise its workforce. We concluded that, overall the Council has arrangements in place to manage its workforce, although strategic workforce planning and succession planning could be improved. Reporting the performance of the Council's Human Resources function could also be improved and performance development reviews⁸ used to strengthen workforce and succession planning.
- 100 Our review found that there is a clear vision and plans to change to new models of service delivery that recognise the implications on the workforce and there is consultation between heads of service and Human Resources on any restructuring proposals that have workforce implications. The Council has a People Strategy, on which the key principles for people management are based, and a Human

Resources Strategy Development Group. Key human resources policies are available to all employees on the Council's intranet and changes to policies are communicated to staff via the Human Resources Bulletin or by e-mail. There is good use of technology to support efficient ways of working, appropriate support from Information Technology, and a new human resources portal implemented.

- 101 The Council undertakes regular benchmarking of its Human Resources function against comparator authorities which covers a broad range of workforce and human resources performance measures. The Council is successfully delivering Single Status⁹ and has ongoing processes to ensure that Single Status has effective ongoing management. There are a number of internal joint forums and working groups to consider human resources and staff-related issues, and regular liaison with trade unions.
- 102 Strategic workforce planning and succession planning are recognised by the Council as an area of development. Workforce plans are in place for some areas, for example social services, but not for others, and this inconsistency is an area for improvement which the Council is aware of. The Council, however, needs to implement an integrated approach to workforce planning to link it with service, financial and workforce targets.

⁸ Personal development reviews are an assessment of staff to ensure that their personal development needs are identified and a programme is put in place to address them.

⁹ Single Status is the generic term used to describe the process whereby councils have sought to end the historic pay discrimination in local government by reviewing their pay and grading structures to make them equal-pay proofed.

- 103 The Council has published its People Strategy and collects a wide range of data and key metrics, including; human resources costs, service performance, client satisfaction and delivery of the Human Resources Strategy. However, the information could be reported to members and senior managers more clearly. It is difficult for these stakeholders to evaluate the performance of human resources and progress against the People Strategy's objectives and priorities.
- 104 Despite individual training needs being identified through the personal development review process, the outputs are not used consistently to 'shape' the training and development of skills and capability to meet existing and future demand for skills.
- 105 Also, a clearly documented Human Resources strategy and plan, including the role of line managers, is needed to explain and articulate how the human resources function will support the organisation in the delivery of its People Strategy in the future. This will provide a clear strategic line of sight through the People Strategy to the stated improvement objectives of the Council and demonstrate where and how value will be delivered through its approach to workforce planning.
- 106 Recent issues which have emerged during 2013 related to senior officer salaries raise significant concerns about the role of the Council's Human Resources function and the Auditor General proposes to undertake a follow-up review of Human Resources arrangements during 2013-14.

Although the Council's approach to managing its information is generally sound there are governance and performance issues that could undermine the delivery of the Council's information strategy

- 107 In 2010, the Wales Audit Office identified that many local authorities were grappling with using information effectively to support service transformation and efficiency savings; as a result, reviews of information management were undertaken at all councils in Wales during 2011-12.
- 108 Our review of the Council concluded that: 'Whilst the Council's approach to Information is generally sound, there are governance and performance issues that have the potential to undermine the delivery of the Council's information strategy.' We came to this conclusion because the Council's arrangements for information management are generally sound, but are weakened by the lack of formal information accountability and the absence of a mandated staff training programme.
- 109 At the time of the review, the Council had not formally assigned Senior Information Risk Owner (SIRO) responsibilities. Whilst many of the responsibilities have been adopted by the Head of ICT and Customer Services, the Council needs to formally allocate the responsibilities ensuring that they are invested in a role sufficiently senior to deliver all elements of the SIRO function. One element of understanding the information risks for the Council is to gauge the level of knowledge and understanding that the staff have about issues related to their work. To

enable the SIRO to manage information risks a comprehensive mandated training programme for all staff and members is required. Recording attendance and regular refreshing of knowledge would enable the Council to demonstrate that responsibility for information issues had been cascaded throughout the organisation.

- 110 The Council's information management performance is sound, although some issues need to be addressed to ensure that it fully complies with legislation by improving its response times for Freedom of Information (FOI) Act requests and can recover information in the event of a major disaster.

Due to a lack of prioritisation and appropriate governance arrangements for managing assets, the Council does not have an appropriate and agreed Asset Management Strategy which clearly sets out how its assets will be used to deliver its priorities and support service improvements

- 111 In 2010, the Auditor General made a proposal for improvement that the Council should develop and adopt an Asset Management Strategy to meet its future needs. In 2013, we undertook a review of the Council's asset management strategy and found that due to a lack of prioritisation and appropriate governance arrangements for managing assets, the Council does not have an appropriate and agreed Asset Management Strategy which clearly sets out how its assets will be used to deliver its priorities and support service improvements. Our review found that:

- The Council does not have an approved Strategic Asset Management Plan. The Asset Management Strategy that does exist is predominately an operational document that has not been approved by members.
- The Council's Asset Management Strategy does not currently align with the Council's priorities although its operational processes, if implemented, could provide a basis upon which a more strategic plan can be developed.
- There have been many changes in the way the Council has managed its assets over the past 18 months but development of key areas, such as service asset management plans, has been slow.
- The Council has operational processes and controls in place to ensure it manages its statutory obligations relating to asset management but has not streamlined its asset management systems and different approaches are used by Building Consultancy and Property Services.
- Monitoring of the Asset Management Strategy and the performance of assets by both officers and members is weak but the Council is currently reviewing its performance data to determine how and when this should be reported.

Although the Council has embedded performance management arrangements it needs to address weaknesses in its approach to self-evaluation and challenge, and report and account for its performance in a more balanced and transparent way

Although the Council has discharged its improvement reporting duties under the Local Government (Wales) 2009 Measure it should ensure that it acts more in accordance with Welsh Government guidance

112 In our December 2012 *Improvement Assessment Letter* to the Council, we reported that the Council discharged its improvement reporting duties under the Measure. However, it should act more in accordance with Welsh Government guidance by: using a wider evidence base of information; reporting its performance in a more balanced way; making better use of comparative information; and improving the readability and accessibility of its Performance Report for stakeholders and citizens.

The Council's performance management arrangements are embedded and it recognises that weaknesses in challenge, evaluation and the involvement of scrutiny need to be addressed

113 The Council has a number of mechanisms in place to report and monitor performance. These include performance scrutiny committees, Cabinet, Corporate Management Team and arrangements at service level. The focus on improvement objectives has also been reinforced in Corporate Management Team meetings. Ffynnon¹⁰ is used as the main vehicle to

facilitate performance monitoring and the Council has developed specific dashboards within Ffynnon to monitor its improvement objectives, outcome agreements and to report performance to Corporate Management Team. It is the information in Ffynnon, together with the quarterly performance reports, that forms the basis of the Council's annual Performance Report.

114 The Council needs to better assess and evaluate the information that is monitored and reported during the course of the year so that it can better manage service performance. On the whole, performance reports do not consistently include evidence such as qualitative information, which would help to provide a more rounded picture of performance. Although services provide a progress summary of their performance against their improvement objectives to scrutiny committees, this generally focuses on progress against actions and measures. Further work is needed to strengthen these arrangements so that covering reports clearly evaluate or assess the impact actions are having on service users. Our review of a sample of services did show some references to evaluative activity, such as the evaluation of the employment support programme Genesis2, which was commissioned by the Welsh Government. This evaluation included some case studies which helped to demonstrate the impact of the initiative for some individuals. But this approach is not used consistently across its services or within the Council's annual Performance Report.

¹⁰ Ffynnon is a nationally procured software solution to meet the performance management requirements of local authorities, fire and rescue services, national park authorities and their partners.

115 The Council's heads of service were involved in the development of the annual Performance Report and had the opportunity to shape the narrative. The Performance Report was also discussed at Corporate Management Team and Cabinet before being approved by full Council in October 2012. The annual Performance Report was not discussed at any of the scrutiny meetings, although performance information was regularly discussed by scrutiny committees during the year.

116 Our sample review of performance information presented to scrutiny committees using Ffynnon dashboards revealed some inconsistencies in the information reported in relation to improvement objectives. For example, not all dashboards included prior year performance or demonstrated that risks had been updated. No comparative information against the Welsh average was included where appropriate.

117 Estyn, in its July 2012 Inspection, also identified issues related to scrutiny and challenge: 'elected members do not challenge school underperformance robustly enough'; and 'newly elected members are beginning to use the scrutiny system to challenge officers appropriately. Their use of performance management data is improving but the data they receive is often over-generalised and they do not get performance data on specific named schools. This means that the scrutiny process is not used to identify or challenge individual underperforming schools in order to contribute to raising standards. The scrutiny process is not used effectively to hold statutory and non-statutory partnerships

to account for their work to improve outcomes for children and young people.'

Whilst the Council has started to improve the way it judges its performance, much remains to be done to address inconsistencies in its evaluation arrangements so that it can better drive improvement and account for its performance in a balanced, transparent and accessible way

118 Effective self-evaluation is dependent upon the creation of a culture that routinely challenges and evaluates its own performance objectively, values and uses information well and has good standards of, and a focus on, quality data and reporting to enable a rounded judgement of performance.

119 In our December 2012 *Improvement Assessment Letter* we reported that whilst the Council had started to improve the way it judged its performance there remained weaknesses and inconsistencies in its arrangements and it did not consistently evaluate, report and account for its performance in a balanced, rounded and accessible way.

120 The Council has made some progress in adopting a more outcome-based approach to its reporting and recognises that it needs to improve the way it accounts for performance, and demonstrate whether it has made a difference to citizens. The Council's annual Performance Report contains an overall summary of progress in 2011-12 for each improvement objective

and priority and uses a traffic light rating system to visually demonstrate success: red = unsuccessful; amber = partly successful; and green = successful. This is a positive step forward compared to the previous year's Report.

121 The Performance Report narrative is structured around the questions: '*what difference have we made in 2011/12, how much did we do, how well did we do, and is anyone better off?*' Whilst it is clear that the Council has made efforts to adopt a more outcome-based approach our review identified a number of weaknesses which affects the Council's ability to provide a balanced and transparent picture of performance:

- Councils are encouraged to include in their evaluation of performance the results of peer reviews, scrutiny assessments and other sources of more qualitative information, such as customer satisfaction with services and benchmarking data. The Performance Report lacks breadth of analysis and primarily focuses on assessing performance against national statutory performance indicators. Many of the indicators used are still predominantly measuring volume of activity or process, rather than actual outcomes for service users.
- The Performance Report does not include an explanation as to whether performance was improving or declining, and some indicators are not easy to understand and are open to

interpretation. This hinders the reader's ability to determine how well the Council is doing in these areas.

- The Performance Report does not consistently include comparative data to show how performance compares with other councils.
- Setting out its performance expectations as targets can be a helpful method to challenge the Council to drive continuous improvement. The Council set targets for each of its performance measures at the beginning of the year and published them in its *Improvement Objectives 2011/12* update and monitors them during the year. However, the Performance Report does not assess its performance against any targets and this means the Council and its citizens are unable to judge whether the Council is achieving the level of improvement it intended.
- The Council does not consistently identify actions to be taken to address areas of poor or declining performance. For example, performance has declined in the take up of school meals across primary schools, but the Performance Report does not set out why this is, or how the Council is going to address this, either through its own actions or with partners.

122 In our December 2012 *Improvement Assessment Letter* we highlighted inconsistencies in the quality of self-evaluation arrangements between social services and education as demonstrated by the views of CSSIW and Estyn.

- CSSIW's Annual Review and Evaluation of Performance 2011-12 concluded that the Director of Social Services' annual report 'gives a comprehensive and accurate account of the Council's performance and clearly reflects the context for social services locally and nationally. In particular references to achievements in adult and children's services are measured and reflect the focus on improvement and listening to service users and carers. Challenges to securing improvement are acknowledged with indications of how they will be met. The evidence provided by the Council to support its self-evaluation has been clear and comprehensive in relation to both adult and children's services. Caerphilly has constructed its own outcome framework which showed a thoughtful approach that can be built upon.'
- 123 Estyn's Inspection of the Council's education services for children and young people in July 2012 found that 'formal self-evaluation at a corporate level is not well-embedded in the work of the local authority. A self-evaluation report was prepared explicitly for the inspection and could not draw from any existing high-level process that brings together the Authority's evaluation of its own progress. A range of stakeholders contributed to the preparation of the self-evaluation report and generally represented all partners appropriately. However, the report does not evaluate impact on outcomes robustly enough or support assertions with relevant evidence consistently. It does not always accurately identify areas of strength or those needing further development.'
- 124 Our review of the actions and measures in the Council's *Improvement Objectives 2011/12* update against those included in the Performance Report also found inconsistencies or missing information in three out of the seven improvement objectives. Inconsistencies were noted in the improvement objectives relating to adult social care, employment opportunities and in active lifestyle improvement objectives.
- 125 A short public summary of the Performance Report was published which provided a brief assessment of progress against each of the Council's priorities and improvement objectives. Whilst it did identify some areas of poor performance, the summary was primarily focused on the Council's achievements and lacked contextual information to present a more balanced picture of performance.
- 126 The issues identified above continue to weaken the Council's ability to robustly evaluate its performance and its ability to account for improvement to citizens in a balanced, transparent and rounded way. We recognise that the Council maintained its reporting format for the Performance Report as it was the final year of a three-year programme and the Council has informed us that its approach to next year's assessment of performance will be improved. However, we have made a number of proposals for improvement over recent years on the need for the Council to improve its self-evaluation arrangements and performance reporting and we will continue to monitor the progress the Council is making in addressing these issues.

The Council has effective arrangements in place to collect, record and monitor performance information

- 127 Every council needs to have good information and use it well if it is to provide good services and make them even better. The Council has well-established systems for reporting its performance and we have recently audited these systems to assess how reliable they are. The measures we selected for audit are a mixture of national strategic indicators, public accountability measures, service improvement datasets, and local measures developed by the Council. All those audited are measures the Council uses to judge how well it is delivering its improvement objectives and whether it is making a difference for its citizens.
- 128 We found that the Council overall had effective systems in place to manage performance information. In 2012-13, we audited 27 measures; none were qualified and four needed to be corrected due to errors.
- 129 The auditor, appointed by the Auditor General, gave his opinion on the Council's accounts and based on this the Appointed Auditor's view is that the financial statements preparation process was generally satisfactory. However, improvements are needed with regards to the Council's accounting processes for property, plant and equipment. [Appendix 3](#) gives more detail.

Appendix 1

Status of this report

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

This report has been produced by the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, 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 informed by a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. This report also summarises the Auditor General's conclusions on the authority's self-assessment of its performance.

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

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

Appendix 2

Useful information about Caerphilly and Caerphilly County Borough Council

The Council

The Council's revenue budget is £413 million for 2012-13. This equates to about £2,310 per resident. In the same year, the Council also had a capital budget of £41 million.

B and D council tax in 2011-12 for Caerphilly was £1,095 per year. This has increased by 0.5 per cent to £1,100 per year for 2012-13. Eighty-eight per cent of Caerphilly's housing is in council tax bands A to D.

The Council is made up of 73 elected members who represent the community and make decisions about priorities and use of resources. The political make-up of the Council is as follows:

- 49 Labour
- 20 Plaid Cymru
- 3 Independent
- 1 seat vacant pending by-election

Other information

The Assembly Members for Caerphilly are:

- Jeff Cuthbert, Caerphilly
- Gwyn Price, Islwyn

The Regional Assembly Members are:

- Huw Lewis, Merthyr Tydfil and Rhymney
- Mohammad Asghar, South Wales East
- Jocelyn Davies, South Wales East
- Lindsay Whittle, South Wales East
- William Graham, South Wales East

The Members of Parliament for Caerphilly are:

- Wayne David, Caerphilly
- Christopher Evans, Islwyn
- Dai Havard, Merthyr Tydfil and Rhymney

For more information see the Council's own website at www.caerphilly.gov.uk or contact the Council at Penallta House, Tredomen Park, Ystrad Mynach, Hengoed, CF82 7PG.

Appendix 3

Appointed Auditor's Annual Audit Letter

Anthony O'Sullivan
Chief Executive
Caerphilly County Borough Council
Penallta House
Tredomen Park
Ystrad Mynach
CF82 7PG

Dear Anthony

Annual Audit Letter

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

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

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 28 September 2012 I issued an unqualified audit opinion on the accounting statements stating that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters

arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on the 19 September 2012, and a more detailed report will follow in due course. A final version of the Audit of Financial Statements report containing updates on matters that were outstanding on the day of the Audit Committee was issued on 28 September 2012.

The key matters in relation to my audit of the accounts that were identified in that report are as follows:

Valuations of fixed assets

Current year valuations

The valuation of fixed assets is the most judgemental area in the accounts, primarily due to the large asset base. The approach adopted by the Council to value its property has been evolving since the introduction of IFRS. A number of meetings took place with the Council prior to the year end and completion of the draft accounts to discuss its approach.

The Council values its property by undertaking a rolling programme of revaluations over a period of five years. In addition to this, the 20 assets with the highest value as at the prior year end have been valued during the year providing coverage of approximately 25% of the net book value ('NBV') of its property in the accounts.

An approach to assessing whether the value of the property not formally valued in the year remained appropriate was agreed with us. However this approach had not been adopted by the time the draft accounts were prepared. This exercise was undertaken during the course of our audit and we received the results from the Council on 10 September. The outcome was that an adjustment of £12.9m was made to the accounts to increase the value of school properties. There was a further amount of £3.0m which remained unadjusted. This adjustment would not have affected the general fund.

The Council's fixed asset register was reviewed to identify assets which were duplicated on the register as these assets do not have a separate functionality. An adjustment of £23.6m was made to write off these assets. This adjustment did not affect the general fund.

We identified number of assets that had not been valued in the last 5 years and an adjustment was made for revaluation movements in relation to these assets amounting to a decrease in value of £0.9m. This adjustment did not affect the general fund.

Depreciation is charged on acquisitions in the year following the acquisition. Accounting standards require that depreciation be charged when the asset is brought into use. We are satisfied that the approach adopted by the Council in the current year's accounts does not give rise to a material error. The Authority is to amend its approach in future years.

Prior year valuations

Following a review of the fixed asset register, the finance team identified required amendments to valuations in the prior year accounts totalling £75.4m. This was due to inconsistencies between the valuation information, fixed asset register and the accounts. This adjustment did not affect the general fund.

Recommendations in relation to fixed assets

There should be better liaison between the finance and valuations teams, given the importance of the relationship between the two departments. It is suggested that each should also obtain a better understanding of the work undertaken by the other. Regular discussions should take place and clear objectives set with an agreed output and responsibilities for action identified.

The finance team should ensure that they reconcile fully amounts provided by valuers, the fixed asset register and the accounts.

The Council should amend its approach to determining the date of commencement of depreciation on acquisitions.

Equal pay

Independent legal advice obtained by the Appointed Auditor stated that authorities should provide for pensions contributions on the back pay element of equal pay settlements and that, on balance, authorities should provide for contributions on all but 'pure' compensation (e.g. compensation for hurt feelings).

During the year the Welsh Local Government Association (WLGA) obtained legal advice on behalf of the local authorities in Wales which states that authorities are not required to provide for pension contributions on the back pay element of equal pay settlements.

There is uncertainty regarding this issue, however the Council did not provide for pension contributions based on the legal advice obtained by the WLGA and considered by it. The potential liability is £3.1m and therefore not material. The Council has disclosed the uncertainty surrounding the legal position in respect of this matter and the potential liability.

The existing provision included in the accounts was £0.9m higher than the estimated liability. No adjustment was made to reduce the provision.

Icelandic banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £15.0 million invested in two of these institutions (Heritable and Landsbanki) with varying maturity dates and interest rates. As a result the Council assessed the recoverability of these balances making reference to existing CIPFA guidance and impaired the value of these investments.

A CIPFA LAAP Bulletin was issued during 2011/12 and the Council revised the impairment level of these investments, which was more prudent than the previous LAAP Bulletin. As there is now more certainty regarding the repayment of these investments, with confirmation that 100% of the Landsbanki investment is to be repaid, an adjustment has been made of £0.6m to increase the carrying value of these investments in line with the LAAP Bulletin.

Uncorrected misstatements

We set out below the misstatements we identified in the financial statements, which were discussed with management but were not corrected in the financial statements.

- Inclusion of a provision for the aftercare of the Trehir landfill site. The estimated cost of the aftercare is £2.7m. This item would lead to a charge against general fund, which would be offset against the release of certain earmarked reserves totalling £1.1m, giving a net charge to the general fund of £1.6m.
- The Council's share of the assets and liabilities and the financial results in joint committees has not been recognised within the Council's own Balance Sheet and Income and Expenditure Statement. The Council's share of the joint committees' aggregate assets and liabilities is a net liability of £1.7m and the impact of including the share of assets and liabilities would be to increase usable reserves by £1.1m. However as many of these arrangements are ongoing the Council does not have access to these reserves in the short term.
- The Council has included a provision for equal pay costs in its accounts. The potential future costs of equal pay claims are overprovided by £0.9m.
- There is a potential undervaluation of property of £3.0m.
- The net impact of the unadjusted items on usable reserves would therefore have been a £0.4m increase.

Other significant issues arising from the audit

We encountered significant difficulties during the audit of property, plant and equipment. Working papers in relation to valuations were not made available at the start of the audit. An agreed exercise to consider the movement in the valuation of assets that had not been formally valued in the year had not been undertaken prior to the audit. The output from this exercise was received from the Council on 6 September 2012, however errors were noted and a further review by the Council was necessary. A final analysis was received on 10 September. A reconciliation of the fixed asset register to the accounts was not received until 6 September 2012.

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. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I issued a certificate confirming that the audit of the accounts has been completed on 28 September 2012.

The financial audit fee for 2011-12 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline, due to the additional work required in respect of asset valuations.

Yours sincerely

Lynn Pamment (PricewaterhouseCoopers LLP)
For and on behalf of the Appointed Auditor

28 November 2012

cc. Nicole Scammell, Head of Corporate Finance (s151 Officer)

Local electors and others have a right to look at the Council's accounts. When the Council has finalised its accounts for the previous financial year, usually around June or July, it must advertise that they are available for people to look at. You can get copies of the accounts from the Council; you can also inspect all books, deeds, contracts, bills, vouchers and receipts relating to them for 20 working days after they are made available. You can ask the auditor questions about the accounts for the year that they are auditing. For example, you can simply tell the auditor if you think that something is wrong with the accounts or about waste and inefficiency in the way the Council runs its services. For more information see the Wales Audit Office leaflet, *Council accounts: your rights*, on our website at www.wao.gov.uk or by writing to us at the address on the back of this report.

Appendix 4

Caerphilly County Borough Council's improvement objectives and self-assessment

The Council's improvement objectives

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

The Council published its improvement objectives for 2012-13 in its *Improvement Objectives 2012-2013 (Including Summary of progress for 2011-2012)* which can be found on the Council website at www.caerphilly.gov.uk. They are:

Improvement objectives for 2011-12	Improvement objectives for 2012-13
Improve how we engage with our citizens and listen to what our customers tell us about our services.	Ensure the citizens of Caerphilly County Borough understand why, when and how to engage with us and the impact their engagement will have in helping us to improve services.
Agencies and partners work together to safeguard children and young people.	Make Caerphilly a safer place to live.
To reduce our carbon footprint and operate more sustainably.	Sustain the range of Employment Opportunities for residents.
To increase the range of employment opportunities for local residents.	Improve the skills level for Children and Young People.
To improve the skills level for children and young people.	Promote Benefits of a Healthy and Active Lifestyle.
To raise awareness to the benefits of a healthy and active lifestyle.	Adults who are in the social care system are able to lead full, active and independent lives.
All adults who are in the social care system are able to lead a full, active and independent life.	Agencies will work together to help children, young people and families who are experiencing difficulties.
	Reduce our carbon footprint and improving our sustainability.

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2011-12 can be found in its *Performance Report 2009-12* on its website at www.caerphilly.gov.uk.

Appendix 5

Proposals for improvement 2012-13

Over the course of our work in 2012-13 we have made some new proposals for improvement. These have previously been reported to the Council and are set out below for information. We will continue to monitor and report on the progress made by the Council in implementing the proposals as part of our future programme of work.

Proposals for improvement – Human Resources Review, July 2012	
P1	In order to support the Council's arrangements to self-assess and evaluate performance, it should develop an HR balanced scorecard to track HR performance against key metrics, for example, HR costs, service performance, client satisfaction and delivery of the HR Strategy.
P2	In order to support the Council's workforce planning arrangements it should consistently use the outputs from the Performance Development Review process to develop robust training and development plans to address current and future skill needs.
P3	The Council should produce a clearly documented HR strategy and plan that: <ul style="list-style-type: none">• includes the role of line managers and explain/articulate how HR will support the organisation in the delivery of its People Strategy in the future; and• provides a clear strategic line of sight through the People Strategy to the stated improvement objectives of the Council and demonstrate where and how value is delivered.
P4	Implement an integrated approach to workforce planning aligned to service, financial and workforce targets.

Improvement Assessment Letter – October 2012

Proposals for improvement – consultation

- P1** The Council should ensure that the scope of its consultation activities, in relation to the development of its annual Improvement Objectives, engages the broad range of stakeholders as defined within the Measure and guidance.

Proposals for improvement – service improvement planning

- P2** In order to improve its arrangements for delivering its Improvement Objectives, the Council should strengthen its service planning processes to ensure that:
- all relevant Service Improvement Plans (SIPs) focus on delivering the Council's Improvement Objectives and have clear links to them and include actions that contribute to their delivery;
 - formal annual financial assessments of its Improvement Objectives are included within all relevant SIPs to ensure that resources are clearly aligned to priorities;
 - equality impact assessments are consistently and robustly undertaken for all SIPs when these are being developed; and
 - workforce planning is embedded in service improvement planning and is reflected in all SIPs.

Proposals for improvement – implementing proposals for improvement

- P3** The Council should consistently report and monitor progress on addressing all regulator and inspectorate proposals for improvement and recommendations, including those contained in our Corporate Assessment Letters, Annual Improvement Report and service-based reviews, to the appropriate committees to enable officers and members alike to monitor, scrutinise, and drive the pace of progress.

Proposals for improvement – Human Resources Review

- P4** The Council should address the proposals for improvement made relating to our feedback report on HR (July 2012).

Information Management Review – November 2012

Proposals for improvement

- | | |
|-----------|--|
| P1 | Formally assign the responsibilities and accountabilities of the Senior Information Risk Owner (SIRO). Ensure they are vested in a role that has sufficient seniority to deliver all elements of the SIRO function, in particular: <ul style="list-style-type: none">• ownership of the information risk policy;• ownership of the information risk assessment;• champion information issues at a senior level; and• provide a written statement in relation to the security of the Council's information asset for inclusion in the Council's Statement of Internal Control/Annual Governance Statement. |
| P2 | Review the membership of the Information Security Forum to ensure that the responsibilities and accountabilities of an Information Security Forum are fully discharged and cover all aspects of information security including physical access and Human Resources. |
| P3 | Deliver a comprehensive mandated information management training programme for all staff to ensure that the Council can demonstrate that responsibility for information issues has been cascaded throughout the organisation, attendance must be recorded and training needs to be refreshed at regular intervals. |
| P4 | Ensure that sufficient data is held outside the recommended nine-mile limit to enable a full restoration of service information in the event of a disaster. |
| P5 | Continue to develop more robust arrangements for whole-life cycle management of electronic information including e-mails, in particular disposal of information that the Council no longer has the rights to hold; ensuring that the Council is compliant with legislation. |
| P6 | Further improve the response times for Freedom of Information (FOI) requests. |
| P7 | Pause and review the implementation of the Electronic Document and Records Management System (EDRMS) to assess progress and direction, in particular consider the Council's aims for EDRMS to ensure that the current approach will deliver these aims effectively. |

Improvement Assessment Letter – December 2012

Proposals for improvement

- P1** The Council should ensure that it acts more in accordance with Welsh Government guidance by:
- using a wider evidence-base of information to enable it to assess whether it has met its improvement objectives;
 - extending the use of comparative information, including comparison with other bodies;
 - reporting its performance in a more balanced way; and
 - maximising accessibility to citizens and stakeholders of its performance assessment.
- P2** Better engage and strengthen scrutiny to improve self-evaluation arrangements and to inform the Council's overall evaluation of progress against its improvement objectives.
- P3** Establish and report against outcome-focused measures of success for each improvement objective.
- P4** Assist readers to understand and interpret performance indicators by including narrative explanations and also indicating if a high value is good or poor performance.
- P5** Ensure all services have effective arrangements to evaluate and improve performance which are consistently reported against agreed Council targets and are subject to robust scrutiny and challenge.

Review of Management Arrangements following a Homicide Report from Healthcare Inspectorate Wales – April 2013

Proposals for improvement

- P1** Establish robust arrangements, to ensure and systematically check, that protocols and procedures are implemented and operating effectively in practice.
- P2** Ensure all action plan targets are complete and adopted.
- P3** Improve inter-agency working in relation to rehousing and the management of vulnerable people in need of housing by:
- ensuring health and social care information sharing protocols cover housing services;
 - revising Risk Assessment procedures to incorporate and cover housing services;
 - improve staff knowledge, awareness and understanding so as to minimise risk to vulnerable people by undertaking three-way training and information sharing between housing, health and social services; and
 - revise the draft Mental Health Joint Accommodation Protocol (MHJAP) to include Registered Social Landlords (RSL) and Supporting People services to minimise gaps in service provision.

Customer Services Review – August 2013

Proposals for improvement

Governance and performance management

- P1** Develop a more co-ordinated strategic approach to customer services. This should include:
- developing and implementing a customer service strategy that supports the Council's strategic vision and improvement priorities;
 - establishing clear links between the customer service strategy document, Improvement Objectives and departmental service improvement plans;
 - ensuring the customer service strategy clearly sets out appropriate performance measures that enable the Council to manage, monitor, report and evaluate its strategy and other related strategies including its customer charter;
 - including customer services' performance measures in the Council's corporate performance reporting arrangements and ensuring they are subject to effective self-evaluation, challenge and scrutiny;
 - ensuring that the Council's equalities and Welsh language objectives are being delivered and reflected in the customer service strategy;
 - ensuring that the lead Cabinet Member for customer services has clearly documented responsibilities and is provided with regular performance information; and
 - ensuring business cases are developed for service improvements that clearly set out and analyses the costs and benefits of the service improvement, and the expected improvements and the outcomes to be delivered.

Information and data

- P2** Strengthen the approach to evaluating and improving customer services in a proactive way. This should include:
- collecting and analysing customer views and satisfaction data for e-mail and telephone correspondence;
 - corporately collating and analysing customer complaints and compliments and regularly reporting findings to Members; and
 - considering re-instating the customer viewpoint panel or introduce another appropriate method of obtaining customer feedback.

Review of Asset Management (Land and Property) Strategy – September 2013

Proposals for improvement

- P1** Develop a robust Asset Management Strategy for its property and associated infrastructure. The strategy should:
- set out a vision for each type of asset that shows how it contributes to the delivery of the Council's priorities;
 - set targets for assessing progress, including the condition and suitability of each asset;
 - describe an overall plan for implementing the Strategy; and
 - be approved by members.
- P2** Ensure that the individual service asset management plans are developed as soon as possible and are used to inform the Council's financial planning process.
- P3** Finalise its current review of property performance data and agree which data should be monitored and reported at an officer and member level.
- P4** Develop and implement arrangements to monitor the delivery of the strategy.
- P5** Formalise the role of the Asset Management Group to improve governance and accountability. This should include:
- Reviewing the membership of the group.
 - Developing terms of reference to include responsibility for:
 - leading on all corporate asset management issues; and
 - leading on decisions around individual assets.
 - Ensuring that meetings are recorded appropriately.

Evaluation of Social Services contributions to the Medium-Term Financial Plan – September 2013

Recommendations

- R1** When contemplating a significant change to the way in which services are delivered, the Council should prepare a fully costed business case prior to initiating major programmes to support the change.
- R2** The financial impact of significant proposed service changes should be reflected in medium-term financial plans directly where the change is certain to proceed or as a sensitivity if the change is not certain.
- R3** The Council should ensure that Members are provided with sufficient information at the earliest opportunity to enable them to make informed decisions.

Proposals for improvement

- P1** In order to ensure effective monitoring and evaluation of savings, the Council should implement a consistent approach to project management and monitoring savings, including benefits realisation, managing risks and identifying lessons learnt.
- P2** Social Services should continue to maintain and develop the saving initiative worksheet they have developed and the Council should consider how this approach can be shared across the Council.
- P3** The Council should undertake further analysis to identify the non-statutory services that it could prioritise to achieve a significant saving and those statutory services that could be re modelled to realise benefits in line with its corporate and service priorities.

Appendix 6

Appointed Auditor's Report in the Public Interest

Recommendations

Report in the Public Interest – March 2013	
Recommendations	
R1	<p>Advertisement of meetings</p> <p>The Council should review its procedures for the advertisement of meetings. Controls should be introduced to mitigate against the risk of omissions. As an example, adverts could be reviewed by an officer independent of the officer preparing them in order that any omissions can be identified.</p>
R2	<p>Conflicts of interest</p> <p>Clear guidelines should be produced and incorporated into the terms of reference of all decision-making forums in the Council in respect of the procedures to be followed when members, or those in attendance at such forums, may be influenced by a pecuniary or personal interest in the outcome of any decision to be taken. In particular, they should emphasise that such individuals are disqualified from participation in that process and that:</p> <ul style="list-style-type: none"> • they should declare an interest in the matter; • they should leave the meeting during any discussion of the matter; and • they should not have sole responsibility for making recommendations in relation to the matter, whether present or not.
R3	<p>Procedures for new committees</p> <p>Where new committees or other decision-making bodies are set up by the Council, there should be clear terms of reference setting out the powers, responsibilities and procedures of the body. These should be formally adopted by the committee at its first meeting. Training should also be provided to members in respect of the requirements of the committee prior to its inaugural meeting to ensure that the terms of reference are understood.</p>
R4	<p>Records of meetings</p> <p>Records of meetings should be sufficiently detailed to provide information on the matters discussed. Any redactions should be the minimum necessary to address any exempt items. For sensitive matters, the record of a meeting should include a summary of any vote taken or state whether or not the vote was unanimous, so that members can agree with the accuracy of the minutes prior to their approval.</p>
R5	<p>Clarity and comprehensiveness of reports to committees</p> <p>Where review work is undertaken, either by an external body or internally, to support a report to a committee or other decision-making body, then the covering report should explicitly address the matters raised as part of the review work.</p>

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk