



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Good Governance when Determining Significant Service Changes – **Newport City Council**

Audit year: 2016-17

Date issued: March 2017

Document reference: 141A2017



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

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work comprised Sara-Jane Byrne, Ron Price and Non Jenkins under the direction of Jane Holownia

Contents

The Council's governance arrangements for determining significant service change are improving, and it recognises that its vision and change programme needs to be refreshed to strengthen its arrangements further.

Summary report

Summary	4
Proposals for improvement	6

Detailed report

Newport 2020 provides a high-level direction for service change, but the Council recognises it needs to refine this vision and update its change programme	7
The Council's governance arrangements for significant service change decision-making are clear and well-understood	8
The Council considers a range of options when service changes are proposed but recognises further work is required to strengthen the quality of its business cases	9
The Council has effective arrangements to facilitate stakeholder engagement, but findings from its engagement are not always presented within business cases for service change	10
The Council monitors the impact of service changes, but this is not systematic	12
The Council has learnt from implementing service changes and is taking steps to improve the effectiveness of its governance arrangements	13

Summary report

Summary

- 1 Governance is about how public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which public bodies are directed and controlled, and through which they account to, engage with and, where appropriate, lead their communities¹.
- 2 Good governance is essential for the effective stewardship of public money and the continued delivery of efficient and trusted public services. The current financial climate and reduced settlements for local government as well as rising demand for some services mean that all councils are likely to continue to need to make decisions regarding the future configuration and level of service delivery. It is appropriate that public bodies continuously seek to improve. Small, incremental changes to service delivery are made at a managerial and operational level as part of normal, operational decision-making. However, good governance supported by effective planning and rigorous processes is critical when determining significant service changes. Such decisions are often controversial, generate considerable local interest and can have significant impacts on the individuals and groups affected.
- 3 From April 2016, councils are required to comply with the Well-being of Future Generations (Wales) (WFG) Act and associated Statutory Guidance. The Statutory Guidance states that: 'Together, the seven well-being goals and five ways of working provided by the Act are designed to support and deliver a public service that meets the needs of the present without compromising the ability of future generations to meet their own needs'². This legislation emphasises the importance of effective governance in achieving well-being goals.
- 4 The focus of this review is on the effectiveness of the Newport City Council's (the Council) governance arrangements for determining significant service changes. We define this as any significant change in delivering services and/or any significant change in how services are experienced by external service users. This could include, for example, significant changes to the way the service is delivered, the level of service provided, the availability of the service, or the cost of the service.

¹ **CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2007**

² **Shared Purpose: Shared Future, Statutory guidance on the Well-being of Future Generations (Wales) Act 2015, Welsh Government**

- 5 Taking the Chartered Institute of Public Finance and Accountancy's (CIPFA) revised framework for 'Delivering good governance in local government' as an appropriate standard, this review provides the Council with a baseline, from which to plan further improvement. In this assessment, undertaken during the period September to November 2016, we looked at aspects of decision-making arrangements in relation to a range of significant service change proposals. The examples of service changes we looked at included:
- Review of double handling cases (Adult Services) – Review and reduce the number of calls to service users that require two care workers
 - Trade Waste – review of charges and increase number of contracts
 - Rationalisation of internal mental health day care service provision
 - Increased cardboard collection service to residents
 - Review and transform the public library services within the City
 - Closure of New Willows (residential respite service for adults with a learning disability) and re-provide respite options
 - Home to School Transport
- 6 We did not look in detail at each of the individual service change decisions, but rather used them as examples to draw from and inform how the Council goes about making decisions in relation to service changes. We also considered other service changes, which we were made aware of during the course of our fieldwork.
- 7 In this review, we concluded that the **Council's governance arrangements for determining significant service change are improving, and it recognises that its vision and change programme needs to be refreshed to strengthen its arrangements further.**

Proposals for improvement

Exhibit 1: proposals for improvement

The table below sets out the areas of improvement identified through our review.

Proposals for improvement	
	The Council's governance arrangements could be strengthened by:
P1	reviewing its change programme so that it is better aligned to its overall vision for service change;
P2	clearly defining the criteria it will use to decide what is included in its change programme;
P3	providing support and training to Members to equip them with the appropriate skills to consider future service changes;
P4	ensuring that the findings from stakeholder engagement and consultation are consistently included in business cases to inform officer and member decision-making; and
P5	setting out how the impact of proposed changes will be measured and monitored in proposals and business cases.

Detailed report

The Council's governance arrangements for determining significant service change are improving, and it recognises that its vision and change programme needs to be refreshed to strengthen its arrangements further

Newport 2020 provides a high-level direction for service change, but the Council recognises it needs to refine this vision and update its change programme

- 8 Newport 2020 sets out the Council's high-level direction for its service changes, and how the following key guiding principles and themes, which underpin the Council's ongoing transformation, will contribute to the changes and savings required:
 - Better use of technology
 - Ability to generate more income
 - How can it use community capacity more effectively?
 - How can it manage demand as the city grows and resources reduce?
 - What potential alternative delivery models could it consider putting in place?
 - What is the vision for each service by 2020 and how will it judge whether it has succeeded?
- 9 Newport 2020 supersedes the Council's previous 'Prospectus for Change', which was published in September 2013. Newport 2020 was developed by the Council's services and endorsed by the Council's Cabinet in February 2016. The Council did not undertake public engagement on the development of Newport 2020, although it did take account of previous public consultation undertaken, for example through its budget process.
- 10 The Council's change programme, which is referenced frequently within Newport 2020, its medium term financial plan, and budget reports, but it is not clear from the Council's website what this programme includes. Neither Newport 2020 nor the change programme are easily accessible on the Council's website. The criteria for what is included within the Council's change programme is also not made clear and this needs to be better defined.

- 11 The inception of the change programme pre-dates the development of Newport 2020. We understand that the change programme now essentially includes the Council's budget savings proposals rather than focusing on a wider programme of change and benefits beyond savings. The Council has not updated its change programme to reflect Newport 2020.
- 12 During our review, it was evident that there was limited member ownership of Newport 2020. The Council recognises that it needs to review and reshape its change programme to align it more closely with its new vision. We understand that the Council's Senior Leadership Team has been actively discussing this. The Council has indicated that it will redefine the Corporate Plan and Newport 2020 following the Local Government Elections in May 2017; this will establish new objectives, which will be underpinned by the Council's change programme.

The Council's governance arrangements for service change are clear and well-understood

- 13 The Council has a clear governance framework for determining service changes. It has a Change Board and supporting portfolio boards consisting of senior officers, which provide mechanisms to consider service change and budget proposals. Although Members are not involved in these boards, there is good engagement of Cabinet Members in considering service change proposals through Cabinet Members' regular meetings with their relevant directors and heads of service.
- 14 The Council's decision-making process is set out on its website and we found that Members and officers clearly understand their roles and responsibilities in determining service change. These are broadly set out in the Council's constitution.
- 15 Members and officers we interviewed were clear about who makes decisions about service changes and consulted the Monitoring Officer if they have any queries about decision-making powers. The Council's Monitoring Officer, Head of Finance and other key officers, such as the Equalities Officer and Head of People and Business Change, review all decision-making reports, including those relating to service change proposals. The Council has a Policy and Partnerships team, which screens reports for adherence to key duties, such as those relating to Welsh Language, Equalities and WFG. However, our review of the Council's progress in addressing the Corporate Assessment and Corporate Assessment Follow-up recommendations suggested that scrutiny reports would also benefit from greater quality assurance.
- 16 We also concluded in our review of the Council's progress in addressing the Corporate Assessment and Corporate Assessment Follow-up recommendations that the value of scrutiny was not yet being maximised. It is pleasing to note that the Council is now beginning to address this. New chairs of scrutiny are in place and they are clearly passionate about their roles in service change and are committed to working together more closely.

- 17 The Council is putting in place mechanisms to ensure that decisions regarding service change take account of the WFG Act and the sustainable development principle. It has set up a cross-party WFG working group. It has also updated its templates for its reports, impact assessments, business cases and service plans to reflect the requirements of the Act. The Council has undertaken considerable work to develop [ward profiles](#), which it is actively using to inform its service change proposals and well-being assessment. There has been focused training for officers and members on the WFG Act, and the Council is continuing to build up knowledge of the Act within the organisation. The Head of People and Business Change reviews all Cabinet and Council reports and returns them to the author if they do not appropriately consider the sustainable development principle. The Council has commissioned consultants to assess its current position in relation to its response to the requirements of the WFG Act. This work is currently underway and the consultants are due to report their findings to the Council in March 2017. However, whilst Members and officers have had some training on the WFG Act and equalities duties there has been no specific training to build capability around service change issues, for example on challenging options appraisals.

The Council considers a range of options when service changes are proposed, but recognises further work is required to strengthen the quality of its business cases for service change

- 18 We found that the Council considers a range of options for service change and has learnt from examples in the past, where this hadn't always been the case. In our Corporate Assessment and Follow-up reports, we recommended that the Council should ensure that members are routinely and transparently considering robust information at the earliest opportunity to enable them to inform, take and challenge choices and decisions effectively, and ensure that decisions are recorded and reported transparently. This includes the consideration of:
- options appraisals; and
 - the implications of the options, recommendations and decisions.
- 19 The Council's report template reminds officers that 'All reports to the Council meeting; the Cabinet and Cabinet Members that are seeking a decision, or decisions; must include reference to all options considered; options appraisals and implications of options, as well as the preferred option.' The report template includes sections for officers to set out the options available, those that are considered, and to identify the preferred option and the reason for selection. Our review of a sample of reports found that they contained options for Members to consider and recommended a specific option, which is a key improvement.
- 20 The Council's business case template, which it uses for its service change and budget savings proposals, includes a range of criteria including costs, the impact on performance and users, and risks. However, it does not articulate how

proposals impact upon the Council's priorities and vision. The Council has indicated that it will strengthen the links between priorities and its vision when it develops its new Corporate Plan after the Local Government Elections in May 2017.

- 21 Our review of a sample of completed business cases found that whilst they have improved, quality continues to vary. Not all business cases include comparative information or clear information about costs. The Members we interviewed as part of this review stated that they were now pushing back reports to officers when they felt that information was not sufficient. In our financial resilience report issued to the Council in February 2017, we have included related proposals for improvement for the Council to strengthen its business cases. The Council recognises there is scope to improve its business cases and it has enhanced its screening and challenge process as part of its 2017-18 budget process.
- 22 During our review, Members stated that sometimes officers put forward options that they consider politically unpalatable, but we believe it is positive that officers are doing this to maintain their impartiality and so that all options are set out for Members to make an informed decision.
- 23 Service change proposals are subject to pre-decision scrutiny and there are a number of examples, such as the libraries and the Shared Resource Services³ service changes, where the Council has set up policy review groups to look at these service changes in more detail before it takes a decision on them.
- 24 The Council's Change Board and portfolio boards provide an opportunity for officers to challenge service change proposals. The Council has a Business Improvement Team, which has a role in screening and challenging service change proposals. The Council's Senior Leadership Team also spent considerable time reviewing all service change proposals as part of the 2017-18 budget process.

The Council has effective arrangements to facilitate stakeholder engagement but findings from its engagement are not always presented within business cases

- 25 The Council publishes all of its budget savings and service change proposals as part of its budget consultation process and has a number of arrangements in place to engage and inform stakeholders of these proposals. This includes its [Involve Newport Citizens Panel](#), Youth Council and Carers Forum, as well as through its Newport Matters newsletter. However, the Council recognises that its Citizens Panel is no longer representative of its population and it is continuing its recruitment campaign to try to address this.

³ The Shared Resource Service (SRS) is a collaborative ICT provision in South Wales that provides ICT services to a number of public sector organisations.

- 26 The Council also has the Newport Fairness Commission, which provides an independent mechanism as a critical friend to the Council. It has provided an independent review of the Council's budget proposals and provides a constructive mechanism to test the public's reaction to service change proposals and to consider their impact on vulnerable groups. The Council considers the views of the Newport Fairness Commission as part of its budget decision-making process.
- 27 The Council has an increasingly diverse population and uses its [Community Connectors](#) staff to engage with harder to reach communities. The Council's Policy and Partnership team also works with services to identify stakeholders and consider appropriate ways of engagement.
- 28 We found a number of examples where the Council has used its engagement arrangements effectively to help inform service changes, such as the libraries and mental health service changes. It was evident that the Council is responsive to consultation findings, such as on the budget process and library service changes. The closure of New Willows, a residential respite service for adults with a learning disability, was an isolated example where the Council had not engaged successfully with stakeholders. The Council has clearly learnt from this, and service users were proactively engaged in shaping the design of the Kensington Day Care Centre.
- 29 However, the Council's business case template does not include anything to prompt officers to set out the outcomes of any consultation or engagement activity. Our review found that presentation of consultation findings was variable within business cases. There were examples where officers presented findings from stakeholder engagement within reports, such as the library service change, but equally examples where these were not included, such as the Newport Community Hub and double handling of cases in adult social care related service changes.
- 30 The Council undertakes equalities impact assessments (EIAs) for each of its service change proposals. These have recently been expanded to incorporate fairness and key principles from the WFG Act, and the Council recognises there is scope to further improve the quality of completed EIAs. Cabinet members have had training on EIAs and on their equalities duties.
- 31 Forward work programmes for Cabinet and Scrutiny Committees are standard agenda items on every Cabinet and Scrutiny agenda, and are available as part of agenda papers but the forward work programmes are not available as standalone documents. The public can find the work programmes through the Council's search facility on its website, which takes the public to a list of committee agendas containing the work programmes. The Cabinet work programme to April 2017 lacks sufficient detail for a member of the public to understand what Cabinet will be discussing. Conversely, Scrutiny work programmes provide more information about the agenda items, for example outlining the committee's role for each item, making it easier for a member of the public to understand the topics being considered.

32 The Council publishes a list of decisions taken at each public meeting on its website as part of the meeting papers and the background/reason for the decision is included. The Council also has a decision maker tracker on its website, but we reported in our Corporate Assessment progress review report that it is not easy to use and the Council does not keep it up to date. This remains the case and hinders public transparency and their ability to search and track progress against service change proposals and decisions.

The Council monitors the impact of service changes, but this is not systematic

33 The Council's business cases and Cabinet reports relating to service change do not explicitly set out how or what it needs to monitor and evaluate to assess the impact of its service change decisions.

34 The Council has arrangements to monitor the implementation of service changes, delivery of related savings and performance, but not other areas of impact, or to provide a comprehensive overview of the impact of service changes.

35 The Council uses its Change and Portfolio Boards as the key mechanisms to monitor the implementation of a project or service change and the delivery of agreed savings. Financial in-year savings monitoring reports are risk based and the Council uses a Red/Amber/Green (RAG) status to assess progress and likely achievement. The Council monitors progress on an exceptions basis using a dashboard style of reporting. Officers keep Cabinet up to date on progress via budget monitoring reports and regular meetings with individual Cabinet Members. The Council also indirectly monitors the impact of service change through its performance management arrangements, including regular reports to Cabinet on performance against its improvement objectives. The Council now has a new management information hub, which it is using to manage its performance. We understand that the Council intends to build in the performance management of key contracts into the system.

36 There is evidence of scrutiny committees monitoring the impact of some service changes, such as the Riverfront Theatre and Arts Centre alternative delivery model and Newport LIVE. Where the Council had set up a policy review group to consider a service change, such as Newport LIVE or Newport NORSE, we found that the impact of these service changes post implementation was included in the relevant scrutiny committees' work programmes. However, this wasn't consistent. During our fieldwork, Members and officers mentioned that the impact of the library service changes had been included in the scrutiny work programme, but when we reviewed the work programme, this item was not included.

37 The Council's Change and portfolio boards have a role to monitor the impact of some aspects of the service change, as do the scrutiny committees. However, the Council could be more explicit in setting out the responsibilities for monitoring impact when it agrees a service change. Arrangements and responsibilities for

monitoring the impact of service change are clearer for larger service changes which have contracts in place, such as Newport LIVE and Newport NORSE.

- 38 We found some examples where the Council had planned the transition arrangements for service change well. Although there was concern about stakeholder engagement in the closure of New Willows, members were more positive about how the Council had taken time to ensure appropriate transition arrangements were in place. This was also the case for the changes to day care services, where service users and their families had an opportunity to experience the new facilities and to influence their internal design.
- 39 The Council has strengthened its EIAs, but it is unclear how it monitors these once it has implemented a service change. All impact assessments for budget proposals and service change are published. The Strategic Equalities plan is a general statement of intent rather than a plan, which sets specific goals or the means to achieve them. The plan does not set out the timescales for the actions, allocated responsible persons or directorate, cost information or resource implications.

The Council has learnt from implementing service changes and is taking steps to improve the effectiveness of its governance arrangements

- 40 The Council has implemented a range of significant service changes in recent years. It has outsourced its leisure and property services, and has made changes to a number of other customer facing services, including libraries, arts and development, waste services and social care. Whilst we are not aware that the Council has formally reviewed the effectiveness of its decision-making arrangements or evaluated the lessons learnt from its service changes, both Members and officers cited a number of improvements, which the Council has made as a result of experience of previous service changes and in responding to changing requirements. For example, in adult social care there is now greater consideration of the engagement of service users in service change following the New Willows service change. The Council has also improved the range of options considered and it is proactively trying to embed the sustainable development principle into its decision-making arrangements. It has commissioned consultants to provide an independent review of its progress in doing so.

- 41 Our Corporate Assessment progress review concluded that the Council had made progress in addressing all of our recommendations but the pace of change in scrutiny remained a concern. It is positive to note since this review that the Council has started to improve its scrutiny arrangements. However, as highlighted earlier in this report, the Council has not updated its change programme to reflect Newport 2020 but the Council has indicated that it plans to do so and to align it with its new corporate plan, which will be developed after the Local Government Elections in May 2017.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone : 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn testun: 029 2032 0660

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru