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# Annual Improvement Report including Corporate Assessment Report 2013

## Conwy County Borough Council

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# About the Auditor General for Wales

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

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

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

This report has been prepared on behalf of the Auditor General for Wales by Huw Lloyd Jones, Gwilym Bury, Melanie Watson (KPMG), Ian Pennington (KPMG), Tim Buckle, Paul Goodlad, Karen Lees, Andrew Doughton, John Roberts, Charlotte Owen, Emma Roberts and Debra Allen under the direction of Alan Morris.

# Contents

<b>Summary report, recommendations and proposals for improvement</b>	<b>4</b>
The Council is generally well managed and governed and has a track record of steady improvement although it has much to do to realise necessary future savings	4
<b>Detailed report</b>	
Introduction	7
The Council is maintaining its track record of steady progress in relation to most aspects of its improvement objectives	9
The Council produces balanced, well-informed evaluations of its performance and its governance arrangements and it manages risks systematically	21
Most aspects of governance and the management of performance and resources support the achievement of the Council's contribution to improving services but the austere financial climate presents a significant challenge	25
The Council is likely to make arrangements to secure continuous improvement for 2014-15	42
<b>Appendices</b>	
Appendix 1 Status of this report	43
Appendix 2 Useful information about Conwy and Conwy County Borough Council	44
Appendix 3 Annual audit letter	46
Appendix 4 The Council's improvement objectives and self-assessment	49

# Summary report, recommendations and proposals for improvement

## The Council is generally well managed and governed and has a track record of steady improvement, although it has much to do to realise necessary future savings

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. This report sets out the findings of the work undertaken on behalf of the Auditor General by the staff of the Wales Audit Office and KPMG, and also draws on the work of the relevant Welsh inspectorates. The report covers the Council's delivery of services, its evaluation of services in relation to 2012-13, and its planning of improvement for 2013-14. Taking these into account, the report records the Auditor General's conclusion on whether he believes that the Council will make arrangements to secure continuous improvement for 2014-15.
- 2 The Auditor General has concluded that the Council is likely to make arrangements to secure continuous improvement for 2014-15. This judgement reflects the conclusions of his corporate assessment, that **the Council is generally well managed and governed and has a track record of steady improvement although it has much to do to realise necessary future savings**

- 3 The audit team found that, during 2012-13, the Council maintained its track record of steady progress in relation to most aspects of its improvement objectives. We have also referred to progress during 2013-14 in relation to some aspects of the Council's performance. We reached this conclusion because:
  - national performance indicators present a satisfactory picture of performance and improvement during 2012-13;
  - outcomes in secondary schools compare favourably with similar schools elsewhere in Wales but the primary school system is costly and not performing as well as it should;
  - effective partnership working is helping to promote Conwy as a tourist destination and to support the local economy;
  - the Council takes pride in maintaining a clean environment for citizens and visitors but progress in reducing carbon emissions and in taking forward sustainable technological change has been slower;
  - the Care and Social Services Inspectorate Wales (CSSIW) reports positive, well-informed changes in social services provision although areas for improvement remain; and
  - the Welsh Language Commissioner has reported good practice in the Council's implementation of its Welsh Language scheme.

- 4 We also found that the Council produces balanced, well-informed evaluations of its performance and its governance arrangements and it manages risks systematically. We found that:
- the Council makes generally good use of a wide range of data to analyse and evaluate its performance;
  - the Council's evaluation of its performance in 2012-13 was supported by a thorough review of its governance arrangements and was balanced and well-informed;
  - the Appointed Auditor expressed no concerns about the qualitative aspects of the Council's accounting practices and financial reporting; and
  - risk management arrangements are comprehensive, systematic and provide assurance that risks to performance and governance are being addressed.

- 5 Finally, we found that most aspects of governance and the management of performance and resources support the achievement of the Council's contribution to improving services but the austere financial climate presents a significant challenge. We concluded that:
- the Council has a clearly articulated vision which is well founded on analysis of need and supported by a strong team ethos among and between staff and councillors;
  - strong performance and programme management underpin the Council's approach to managing improvement but project management principles are not always applied consistently;
  - the Council's culture and its governance arrangements promote a consensual and efficient approach to decision-making, but there is scope to strengthen a few aspects of the way in which committees function;
  - the Council has used its resources well to date but the increasingly austere financial climate now demands a longer-term, corporate approach to planning; and
  - the Council has a thorough understanding of the respective costs and benefits of its partnership working but some of the arrangements are unhelpfully complex.

## Recommendations and proposals for improvement

- 6 We have made no statutory recommendations during previous work this year and we make none in this report. 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 following proposals for improvement stem from our corporate assessment work in November 2013.

P1	The Council should work with its schools and with the regional school improvement consortium, GwE, to improve the value for money of the primary school system.
P2	The Council should explain more clearly in reporting its targets the reason for any apparent reduction in the level of ambition being pursued.
P3	The Council should ensure that: <ul style="list-style-type: none"> <li>• Cabinet minutes record all relevant scrutiny recommendations;</li> <li>• committee members are clearly distinguishable to all those present at meetings from other councillors and officers; and</li> <li>• overview and scrutiny committees increasingly hold portfolio holders to account rather than officers.</li> </ul>
P4	The Audit Committee should become more systematic in assuring itself that recommendations made in both internal and external audit and inspection reports are being acted on appropriately.
P5	The Council should, in planning and delivering the further significant financial savings necessary in the years ahead: <ul style="list-style-type: none"> <li>• develop longer-term financial plans that better allow for the timescales of implementing ambitious transformation programmes;</li> <li>• set suitable and explicit success measures and targets in relation to the Council's transformation programmes; and</li> <li>• ensure a consistent and co-ordinated input from the Human Resources (HR), ICT and asset management teams in supporting service modernisation and transformational change.</li> </ul>
P6	The Council should work with its partners in the Local Service Board to improve the Board's ability to monitor and manage its performance.

# Detailed report

## Introduction

- 7 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities, and national parks are planning for improvement in delivering their services. **Appendix 1** provides more information about the Auditor General's powers and duties under the Measure. This work has been undertaken by staff of the Wales Audit Office and KPMG, on behalf of the Auditor General. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (CSSIW), and the Welsh Language Commissioner, we have brought together a picture of what Conwy County Borough Council (the Council) is trying to achieve, how it is going about it, and the progress it has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report records the Auditor General's conclusion on whether the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 8 In 2013-14, staff of the Wales Audit Office began a four-year cycle of corporate assessments of improvement authorities in Wales. This means that, in addition to an annual programme of improvement studies and audits of councils' approaches to improvement planning and reporting, each authority will receive an in-depth corporate assessment once during a four-year period. In the intervening years, we will keep track of developments through progress updates.
- 9 We undertook the corporate assessment in Conwy County Borough Council during November 2013. This Annual Improvement Report includes the Corporate Assessment Report, providing a more comprehensive review than would otherwise be the case of the Council's corporate and governance arrangements. Whilst the corporate assessment does not aim to provide a comprehensive assessment of the performance of all of the Council's services, it reports on the Council's track record of performance and outcomes as well as the key arrangements that are necessary to underpin improvements in services and functions.
- 10 Our fieldwork for the corporate assessment focused on the extent to which arrangements are contributing to delivering improved service performance and outcomes for citizens. The corporate assessment sought to answer the following question:
- 'Is the Council capable of delivering its priorities and improved outcomes for citizens?'**

- 11 The corporate assessment covers the following:
- **Performance and outcomes:**  
‘Is the Council making progress on achieving its planned improvements in performance and outcomes?’
  - **Vision and strategic direction:**  
‘Does the Council’s vision and strategic direction support improvement?’
  - **Governance and accountability:**  
‘Do the Council’s governance and accountability arrangements support robust and effective decision making?’
  - **Use of resources:**  
‘Is the Council managing its resources effectively to deliver its planned improvements in performance and outcomes?’
  - **Collaboration and partnerships:**  
‘Are the Council’s collaboration and partnership arrangements working effectively to deliver improved performance and outcomes?’
  - **Managing improvement:**  
‘Is the Council effectively managing its improvement programme?’
- 12 The conclusions in this report are based on the findings of our corporate assessment and on cumulative and shared knowledge and the findings of prioritised work undertaken this year.
- 13 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;
  - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
  - conduct a special inspection and publish a report and make recommendations; and
  - recommend to Ministers of the Welsh Government that they intervene in some way.
- 14 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](mailto:info@wao.gov.uk) or writing to us at 24 Cathedral Road, Cardiff CF11 9LJ.



## The Council is maintaining its track record of steady progress in relation to most aspects of its improvement objectives

15 This first section of the report considers what the Council is trying to achieve, how it is going about it, and the progress it has made since the Auditor General published his last annual improvement report.

16 The Council set eight improvement objectives in its Corporate Plan 2012-2017 (the Plan). We have set these out in [Appendix 4](#). In its Annual Report looking back at 2012-13, the first year of the Plan's implementation, the Council has acknowledged that not all targets were met and has identified areas for further development relating to each improvement objective. However, the Council has assessed its overall progress against each of the eight improvement objectives as being at least satisfactory. It reports that it met or was progressing to meet 84 per cent of the targets it set for 2012-13. We conclude later in this report that the Council's self-evaluation is balanced and is well-supported by appropriate evidence.

17 During the corporate assessment in November 2013, we looked in some detail at the Council's work in the areas covered by three of its improvement objectives. The objectives we looked at in detail are that people in Conwy should:

- be educated and skilled;
- live in a County which has a thriving economy; and
- live in a sustainable environment.

In these sections of the report, we also refer to developments during 2013-14.

### National performance indicators present a satisfactory picture of performance and improvement during 2012-13

18 The Council presented in its Annual Report a detailed and accurate analysis of its performance against the set of 44 National Strategic Indicators and Public Accountability Measures, as required. The analysis includes a clear explanation as to why performance failed to meet the Council's objective in the six indicators where this was the case. This represents only 13 per cent of the indicators. The Council met its objectives in 63 per cent and judged that it was progressing to meet objectives in the remaining 24 per cent.

19 In comparison with other councils in Wales, the Council's performance was in the top quartile in 25 per cent of the measures and in the lowest quartile in only 16 per cent. This represents a generally satisfactory picture. Performance in Conwy improved relative to that in other councils against well over half the performance indicators.

**Outcomes in secondary schools compare favourably with similar schools elsewhere in Wales but the primary school system is costly and not performing as well as it should**

- 20 The first of the Council's improvement objectives is that, 'People in Conwy are educated and skilled'. The Council has summarised its ambitions as follows: 'We want to improve local employment opportunities through access to social enterprises, provide training opportunities for vulnerable people, and support more work experience and apprenticeship schemes. We want to modernise our schools and improve pupils' access to IT. We also want to improve GCSE results.'
- 21 The Council has assessed its overall progress against this improvement objective as good. It reports significant progress in the number of work experience placements and modern apprenticeships the Council is able to offer, for example, though changes in grant funding and eligibility criteria have resulted in a fall in the number of vulnerable people that have completed the Council's support programme of practical skills and training opportunities.

**Pupils in secondary schools are generally achieving well but standards in primary schools are not as high as they should be**

- 22 Estyn and the Auditor General inspected the Council's services for children and young people in 2011, reporting that overall provision was good and that the Council's capacity to improve was also good. Since the inspection, the Council has acknowledged the need to continue to support schools in improving the quality of teaching and learning, particularly in key stage 2 (11 year olds) and at GCSE (16 year olds), where results in 2012 were below what might be expected.
- 23 There was only limited progress in pupils' attainment in Conwy's primary schools in 2013. Results in the Foundation Phase (seven year olds) and at key stage 2 improved in comparison with 2012, but results elsewhere in Wales improved at a faster rate. As a result, primary schools again performed at a level below what might be expected. In 2013, 80.4 per cent of seven year olds in Conwy schools achieved the Foundation Phase indicator, below the Wales average of 83 per cent, and third lowest of all councils in Wales. At key stage 2, 83.1 per cent of pupils achieved the core subject indicator<sup>1</sup> compared with 84.3 per cent across Wales. A comparison of performance in Conwy primary schools with that in schools across Wales with similar levels of deprivation shows that too many schools in Conwy performed less well than might be expected in both the Foundation Phase and at key stage 2.

<sup>1</sup> To achieve the core subject indicator, a pupil must achieve the expected national curriculum level in English or Welsh (first language), mathematics and science.

- 24 The development of the North Wales regional school improvement service, 'GwE', which began its work in April 2013, has the potential to promote improved standards in schools. GwE also has the potential to improve the consistency of teacher assessment across North Wales, an issue that may affect the reliability of data about pupil performance at the Foundation Phase and key stages 2 and 3. The Council acknowledges that, in the past, it has made too little use of data relating to individual pupils in order to identify those at risk of underachieving, and to challenge and intervene in those schools where pupils achieve less well than they should.
- 25 Pupils in secondary schools performed at least as well as might be expected on most indicators in 2013. At key stage 3, 78.5 per cent of 14-year-old pupils achieved the core subject indicator, slightly more than the Wales average of 77 per cent. Performance against this indicator continues to improve in line with the Wales average. At the age of 16, the proportion of pupils in Conwy achieving the Level 2 Threshold (equivalent to five or more good GCSE passes) reached 84.6 per cent in 2013, well above the Wales average and the third highest in Wales. The proportion of pupils whose GCSE qualifications included good grades in English or Welsh (first language) and mathematics improved significantly in 2013 to 56 per cent, the sixth highest in Wales. Every one of the 1,267 pupils assessed at key stage 4 in 2013 achieved at least one recognised qualification. At both key stages, nearly all secondary schools in Conwy achieved favourable results when compared with other schools across Wales with similar levels of deprivation.
- 26 The proportion of 16-year-old school-leavers in Conwy who do not progress into further education, training or employment fell in 2012 to 3.4 per cent. Although this is the highest among councils in North Wales, it remains better than the Welsh average of 4.2 per cent.
- 27 Rates of attendance in primary and special schools fell slightly during 2012-13 but still compare favourably with the Wales average. Pupils attended 94.1 per cent of sessions during the year. Attendance in individual schools compares well with similar schools elsewhere in Wales. In secondary schools, attendance rates improved a little to 92.9 per cent, slightly above the Wales average. Comparisons with similar schools elsewhere in Wales indicate that, in four Conwy secondary schools, attendance is good but that attendance in the other three schools is below expectations.
- 28 Rates of permanent and fixed-term exclusions from Conwy secondary schools are low. During the 2011-12 academic year, the latest for which comparative data is available, Conwy was one of only two authorities in Wales that saw no permanent exclusions during the year. Rates of fixed-term exclusion were also well below the Wales average. The Council maintains extensive provision in Pupil Referral Units (PRUs) for pupils who are deemed to be at risk of exclusion, often succeeding in

improving pupils' behaviour sufficiently to enable them to return to mainstream schools. Estyn inspected the five PRUs during 2012-13, with mixed outcomes. Estyn judged that overall performance was excellent in one PRU and good in two others. However, overall performance was adequate in another PRU and unsatisfactory in the fifth. Follow-up visits by Estyn in January 2014 judged that both the weaker PRUs had made good progress and that they no longer require significant improvement.

- 29 The Council has successfully pursued a policy of reducing the number of pupils for whom it maintains a statement of special education needs. The number of statements maintained has fallen year-on-year from 642 in January 2007 to 329 in 2013. This reduction in statements suggests that parents and schools trust the Council to provide the necessary support for pupils without the need for a statement. The reduced demand for statements has also enabled the Council to ensure that those pupils who need statements receive one in a timely manner.

The school modernisation programme is progressing gradually but the primary school system is more costly than in most councils and too many schools have significant financial reserves

- 30 The Council continues to modernise its schools estate. In January 2014, the newly built Ysgol y Gogarth in Llandudno opened its doors to pupils. This £18 million project, jointly funded by the Council and the Welsh Government, was built on time and to budget. The school replaces the previous building and offers a state-of-the-art facility for pupils with a range of severe and complex special educational needs. The school includes a small residential block, enabling some pupils whose needs have previously been met outside Conwy to remain closer to home. The new school will also provide a base for some social services and health authority staff.
- 31 The Primary School Modernisation Strategy, adopted in 2010, sets out the challenge that the Council faces, with dwindling resources, to 'provide the appropriate environment to enable our children and young people to achieve life skills of the highest standard'. Shaped by extensive consultation, the strategy sets out the Council's vision for primary schools in the 21st Century and a timetable for change over a 15-year period. Before adopting the strategy, the Council had already closed six primary schools since 1996. Since 2010, a further two schools have closed and firm plans are in place for further amalgamations and new buildings in Llandudno Junction and in the Conwy Valley.

- 32 The Council is responsible for ensuring an adequate supply of school places in an efficient manner. In January 2013, there were some 1,685 surplus primary school places (18.5 per cent of the total) distributed across the 59 schools. Though higher than the Welsh Government target of 10 per cent, this is only slightly above the Wales average of 17.6 per cent. Across the seven secondary schools, there were 1,279 surplus places, representing 15.1 per cent of the total and below the Wales average of 18.7 per cent.
- 33 Reducing surplus capacity is therefore one of the drivers for the Council's Primary School Modernisation Strategy. However, almost half of primary schools have fewer than 90 pupils on roll. These small schools are costly to maintain and headteachers have little time available for leadership and management. We were told during the corporate assessment that the Council struggles to appoint suitably qualified candidates to headships as they become vacant. The Council is supporting governing bodies in some areas in considering the federalisation of primary schools that might allow headteachers to manage more than one school, and enable them to focus more closely on raising standards.
- 34 The Council's net budgeted expenditure on education for 2013-14 was, at £5,277 per pupil, a little higher than the Wales average of £4,992 per pupil. However, the gross cost of primary school provision, taking account of both delegated and non-delegated funding, but excluding home-to-school transport, is the third highest of all councils in Wales at £5,145 per pupil. This figure has increased by 3.8 per cent since 2010-11 while the Wales average has increased by only one per cent.
- 35 The Council provides good financial advice and support to its schools. Only one school began the 2013-14 financial year with a deficit from the preceding year. However, schools have, for a number of years, held high levels of financial reserves. The level of balances has fallen year-on-year since 2007-08, reaching £3.8 million at the end of 2012-13. Nevertheless, at £243 per pupil, this remains the highest level of reserves among councils in Wales. Well over half of schools have reserves that exceed five per cent of their delegated budgets. The Council challenges those schools holding significant reserves to justify their positions but, overall, too many schools are taking an over-cautious approach to the use of funding that is intended to provide for the pupils currently on roll.

## Effective partnership working is helping to promote Conwy as a tourist destination and to support the local economy

- 36 We also examined the Council's progress in delivering the fifth of its improvement objectives, that 'People in Conwy live in a county which has a thriving economy'. The Council has summarised its ambitions as follows: 'We want to focus on supporting tourism, supporting the rural economy, supporting small businesses and addressing child poverty. We want to develop events, review how the Council's approach to procurement can support local business, engage more with local business, increase local jobs and encourage inward investment.'
- 37 The Council has reported that it has made good progress to develop the strategic direction for economic development during 2012-13. It notes that a number of high profile events helped to put Conwy 'on the map' though tourism figures were affected by bad weather. The Council also notes that the economic climate has impacted on outcomes such as unemployment rates, which continued to rise between 2011 and 2013, though remaining lower than the Wales average. The Council's self-assessment of its performance rates each of the six strands in relation to this improvement objective as 'amber', meaning that actions are progressing and that no concerns have been raised.
- 38 Our work during the corporate assessment found that the Council is helping to deliver better economic outcomes through its focus on promoting Conwy as a county to visit and stay in. The Council is working well with stakeholders to increase visitor numbers by promoting the area as a year-round destination. The National Trust has, for example, extended its season at its properties in Conwy. The Council has used grant funding to develop a multilingual tourism-related website, and has installed touch-screen kiosks at strategic locations. Initiatives to encourage tourism helped to minimise the impact of austerity on visitor numbers during 2012-13. Although day-visitor numbers fell by five per cent and overnight stays by 3.2 per cent compared with the previous year, the Wales average for these measures fell by twice as much.
- 39 The Council hosts an increasing number of high-profile events as part of its work to promote the area as a tourist destination. The Council's hosting of the start and finish of the Wales Rally GB in November 2013, for example, was well organised and well received. The event provided good, family-friendly, opportunities to promote the county borough and North Wales more widely. The Council and the wider area are likely to have benefited from some good local, regional, national and international publicity. In addition, such events generate income for local businesses. The Council estimates, for example, that the Choral Festival in Llandudno, held in 2013, attracted over 3,000 visitors and contributed about £300,000 to the local economy.

- 40 The Council operates some local attractions and contributes financially to the running costs of others. Parc Eirias in Colwyn Bay, for example, is a comparatively new Council-run development that forms part of the wider strategy to regenerate the town. The venue boasts high quality training facilities and, working in partnership with the Welsh Rugby Union, regularly hosts international rugby matches. The annual 'Access All Eirias' musical event is attracting increasingly well-known performers.
- 41 The Council also contributes a little over £1 million per year to the running costs of the Venue Cymru theatre and conference centre in Llandudno. Such policy decisions are legitimate, and the Council's investment helps to attract visitors whose spending boosts the local economy. The Council estimates, for example, that the facility attracts about 60,000 additional overnight stays per year in local hotels and guest houses. However, increasing financial austerity is likely to demand that the Council reviews its financial commitments to such enterprises in order to maintain essential statutory services.
- 42 The Council aims to develop its rural economy as well as that in the more densely populated coastal belt. The Council takes an active part in the Rural Partnership, which co-ordinates a range of projects funded by the European Rural Development Programme. However, we found that the Council could do more to monitor and report the impact in rural areas of such initiatives. The Council is taking steps to strengthen its arrangements; during 2012-13 it established a Rural Business Network which will help to promote the sharing of good practice.
- 43 We found that officers from across the Council work well together in addressing the Council's improvement objective, using the resources at their disposal effectively to support each other. They make good use of their knowledge of the local economy to influence the delivery of support initiatives. For example, key messages from the Council's analysis of the local economy and from the 'Conwy Business Survey 2013' influence the types of vocational training offered by partners and help partners target their support accordingly.
- 44 However, the Council has recognised that it has been less successful than it might have been in supporting and strengthening its links with local businesses, and has recently appointed a business support officer to address the matter. The Council has not been as successful as it had hoped to be in using its procurement processes to support local businesses. Despite a range of procurement-related initiatives during 2012-13, the proportion of contracts that were awarded to local businesses declined. Senior officers suggest that this may reflect the lead time that occurs between the delivery of the support to local business and its impact. The Council's new procurement strategy will include a more explicit link to the local economy, with a greater focus on social clauses.

45 The Council plays an active role, alongside the other five councils in North Wales, in the work of the North Wales Economic Ambition Board<sup>2</sup> and in implementing its North Wales Economic Strategy. Conwy is the lead authority on European Funding. The Board has recently secured Welsh Government funding to establish a Skills Fund which will help to address the skills shortages identified through the 2013 Business Survey and from other sources. The process of reviewing the Board's terms of reference is gathering momentum after a slow start.

46 The Council is also, with its partners within the Local Service Board, taking action to deliver better anti-poverty related outcomes for citizens. A total of some 1,800 staff from a range of partners will receive training on financial inclusion to support local families and minimise the impact of welfare reform.

**The Council takes pride in maintaining a clean environment for citizens and visitors but progress in reducing carbon emissions and in taking forward sustainable technological change has been slower**

47 Outcome Six in the Council's Corporate Plan is that, 'People in Conwy live in a sustainable environment'. The Council has summarised its ambitions as follows: 'We want to protect and promote our beaches, parks and nature reserves and we want to address eyesore sites. We want to reduce our carbon footprint, reduce waste sent to landfill and increase recycling and achieve all five levels of the Green Dragon Environmental Management System. We want to explore new technology so that where appropriate, we modernise the way we work.'

48 The Council has reported that its performance represents a positive first year in delivering this improvement objective. It acknowledges that not all targets were met in 2012-13 but concludes that there was good evidence of improvement and that plans are in place for further improvement in the future. The Council's self-assessment of its performance rates five of the six strands of activity relating to this improvement objective as 'amber', meaning that actions are progressing and that no concerns have been raised. The sixth action is rated 'green', meaning that the Council completed its work to maintain, improve and publicise the quality of its nature reserves, beaches and parks.

<sup>2</sup> The NWEAB is a collaborative venture involving the six North Wales councils, established in 2012, with the primary aim of improving the productivity, competitiveness and growth of the North Wales economy.



- 49 Our work confirms the Council's assessment. The Council has demonstrated good performance against its own targets for over 70 per cent of indicators and has a number of further initiatives in place. Even though the Council did not meet its highly ambitious 'cleanliness index' target, Conwy's roads and open spaces were again rated highly in comparison with other councils in Wales. Rates of composting and recycling were also high. The proportion of municipal waste recycled, re-used or composted improved significantly in 2012-13 and, at 56.4 per cent, was well above the Wales average of 52.3 per cent.
- 50 The Council has acknowledged that further work is necessary to increase recycling and to reduce the volume of waste sent to landfill. The Council is one of five councils working together within the North Wales Residual Waste Partnership to secure a long-term solution that will minimise the volume of waste sent to landfill in future. This project is progressing well. In addition, the Council has collaborated with Flintshire and Denbighshire Councils to procure a recycling plant, due to open later in 2014, that will generate power from food waste. The Council also operates a composting plant in partnership with Anglesey and Gwynedd Councils.
- 51 All schools in Conwy are Eco Schools and the pilot Carbon Schools programme is the first in Wales. The Council has also recently been awarded Level 5 on the Green Dragon Environmental standard and is one of only two councils in Wales to have achieved this standard.
- 52 The Council aims to reduce its carbon emissions by 25 per cent by 2015-16, compared with 2010-11 levels of emissions. The reductions achieved in 2012-13 were well below target, partly because of the cold winter. Although the Council adopted a new carbon management plan in June 2012, it acknowledges that a number of related projects did not start on time. Performance reporting for the first half of 2013-14 recognises that progress remains slower than had been planned.
- 53 Most of the activity planned under this improvement objective relates to environmental improvement. However, one of the priority actions relates to the exploration of the cost-saving and time-saving benefits of new technology in order to modernise ways of working. In the current climate of funding reduction, internally-focused work such as this has a key part to play in increasing the Council's efficiency.
- 54 The Council has introduced a number of changes in this area, including piloting the use of tablet computers by officers and elected members to reduce paper consumption and examining options with regard to introducing mobile and agile working for staff. The Council's Transformation Programme supports a range of projects to implement new technology and to review existing corporate systems. However, the programme summary report in October 2013 refers to mixed progress and identifies significant risks such as a lack of sufficient capacity, for example, in the project to introduce an electronic document management and workflow system.

55 The Council's evaluation of its performance in 2012-13 includes no success measures or targets relating to its work of exploring the benefits of new technology in modernising ways of working. It will become increasingly important that the Council understands the extent of the savings it can make as a result of such innovation and that it is fully aware of the progress it is making in achieving those savings.

### The Care and Social Services Inspectorate Wales reports positive, well-informed changes in social services provision although areas for improvement remain

56 Each year, the Director of Social Services in every council must produce a self-assessment that meets the requirements of the Welsh Government's Annual Council Reporting Framework. The CSSIW responds to each council's self-assessment. In October 2013, CSSIW published its review and evaluation of the Council's social services during 2012-13. The report describes positive changes across both adult and children's services.

57 The CSSIW found that the Council's actions have enabled more adults to exercise choice and control of their personal support. Increasing the take-up of direct payments has been an area for improvement in previous years' reports and, during 2012-13, more adults aged under 65 used direct payments to access support.

58 CSSIW inspections during 2012-13 show how the Council is enabling people with dementia and supporting their personal development. The CSSIW notes that the Council is in a strong position to further develop an effective and desirable service for people with dementia but that access to community-based services in rural areas remains an area for development.

59 In 2011-12, CSSIW identified that, although discharge arrangements for people leaving hospital took place quickly, they did not always work well. The CSSIW's 2012-13 report confirms that there has been positive progress: improved partnership working between social work and health staff has improved the quality of discharge arrangements. As a result, incidents of unsafe discharges have reduced from 15 in 2011-12 to none in 2012-13.

60 The CSSIW notes that Conwy is proactively seeking opportunities to learn lessons and improve services. The Council has engaged effectively with people who use its services, as well as staff and partners in education and health, and this has had a positive effect on shaping and developing services. Continued partnership working has helped the Council plan for change, share resources and provide improved and better-integrated services. The report notes, however, that further work is required to fully realise the potential of partnerships with the voluntary sector, as previously identified last year.

61 The CSSIW found that the timeliness of reviews and reassessments of care needs to be improved, particularly for adults in residential care and for children. In 2012-13, fewer people receiving care packages had reviews than before. An evaluation of the enquiry, referral and assessment process highlighted issues with the effectiveness of some responses to callers where access to professional, more knowledgeable staff is not possible. The CSSIW also identified this as an area for improvement.

62 The CSSIW reported that the Council has developed a more proactive approach to identifying and acting to improve outcomes for young people leaving care but there remains scope for further improvement.

### The Welsh Language Commissioner has reported good practice in the Council's implementation of its Welsh Language scheme

63 The Council includes among its improvement objectives the aim that, 'People in Conwy live in a county where heritage, culture and the Welsh language thrive'. We have not examined the Council's progress in detail against this improvement objective, but the Council reports that it has made good progress in all but one of the planned actions.

64 The role of the Welsh Language Commissioner (the Commissioner) was created by the Welsh Language (Wales) Measure 2011. It is expected that new powers to impose standards on organisations will come into force through subordinate legislation by the end of 2014. Until that time, the Commissioner will continue to review Welsh language schemes by virtue of powers inherited under the Welsh Language Act 1993.

65 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.

66 The Commissioner has told us that the Council has taken proactive steps to increase staff language skills through recruitment. A total of 70 per cent of the staff appointed during 2012-13 could speak Welsh. There has been an increase in the use of Welsh on the Council's intranet; the information on more than half of the Council's services is now available in Welsh and work has started on the remainder. The Council has a robust scrutiny procedure

in place for monitoring contracts with third-party service providers and the Council's Language Officer works closely with the Procurement Officer. The Council holds internal audit checks to evaluate its services. The Commissioner expects the Council to continue with this good practice and to ensure that it takes action to improve by implementing her recommendations.

- 67 The Council includes, as a measure under this improvement objective strand, the number of primary schools teaching at least 25 per cent of the curriculum through the medium of Welsh. One more school achieved this target during 2012-13 in comparison with the previous year. The Council also met its targets to increase the proportion of pupils achieving the expected levels in Welsh (second language) during the year. However, we believe that targets and measures relating to the proportion of pupils studying Welsh (first language) and achieving the expected standards would provide a better measure of the extent to which the Welsh language is thriving in Conwy schools.

## The Council produces balanced, well-informed evaluations of its performance and its governance arrangements and it manages risks systematically

68 This section of the report considers how well the Council understands and evaluates both its performance and the quality of the arrangements that underpin the delivery of services.

### The Council makes generally good use of a wide range of relevant data to analyse and evaluate its performance

69 Thorough and robust self-evaluation depends heavily on the accuracy of performance data and the effectiveness with which it is used. Our review of the accuracy of a small sample of the Council's performance data in June 2013 found that there were minor miscalculations in some cases but these had not resulted in significant changes to the values of the associated performance indicators.

70 The Council makes extensive use of local performance indicators in evaluating its performance. The use of such measures frequently allows a more meaningful assessment of progress towards achieving its aims and objectives than might be the case through the use of national performance indicators. However, the Council recognises that the use of local performance indicators makes it more difficult to compare performance with other similar organisations and is taking steps to address this issue in discussion with other councils in North Wales.

71 Managers and elected members have access to a wide range of information. We found that the Council's Performance and Improvement team is highly regarded. Managers we spoke to were happy with the quality and quantity of information they receive to help them manage their services.

72 Twice-yearly Service Performance Reviews form an important strand of the Council's performance management arrangements and contribute well to the Council's ability to evaluate its progress. In advance of a Review, managers produce comprehensive and detailed position statements drawing on the available performance data and on the progress of major projects. Senior staff and councillors subsequently challenge the service's position statement before an agreed and balanced record of the key issues identified is produced. Although Service Performance Reviews have been taking place for several years, the Council continues to review and look for ways of improving the process and strengthening governance and accountability.

73 Data in reports to councillors is, in most cases, clear and well presented. Cabinet members are well briefed to ensure that they have a sound grasp of the detail in those areas for which they are responsible. A twice-yearly corporate performance report provides councillors with an appropriate high-level overview of progress on performance. Whilst the corporate performance reports do not yet include an overall summary judgement on progress towards the achievement of objectives, there are firm plans to introduce this in future.

74 There are exceptions to the generally good quality of analysis in reports to councillors. The analysis of the performance of schools, for example, has been too superficial. Partly as a result, scrutiny committees have, until recently, provided limited challenge on this matter. The Council has been slower than many others in engaging councillors in considering performance issues at individual schools. Members have only recently become aware of the categorisation of schools, for example, and governors have only recently become involved in the discussion of schools that are a cause for concern.

**The Council's evaluation of its performance in 2012-13 was supported by a thorough review of its governance arrangements and was balanced and well informed**

75 As required by the Local Government Measure 2009 (the Measure), the Council published an assessment of its performance during 2012-13 in its 'Annual Report: Evaluating Our Performance: 2012-13' before 31 October 2013. We reported in November 2013 that the Council had discharged its improvement reporting duties under the Measure and had acted in accordance with Welsh Government guidance.

76 This Annual Report presents a balanced evaluation of the Council's performance during the previous financial year and represents the Council's response to the statutory requirement to produce an annual evaluation of performance. The Annual Report is underpinned by a range of internal arrangements and business processes that generally contribute well to the Council's ability to understand how well it is performing and its ability to identify areas that need to improve. We discuss the Council's planning and its business processes more fully in the next section of this report.

77 The CSSIW reported that the social services department had thoroughly scrutinised its practices and processes during 2012-13. This resulted in self-critical, honest reports that identified priorities for the future and demonstrated a vision to drive up standards and make the best use of resources.

78 During 2012-13, we conducted an Improvement Study across all councils to assess how well they had evaluated the effectiveness of their governance arrangements in producing their Annual Governance Statements.

79 In Conwy, we found that:

- the Council's review of its governance arrangements during 2012-13 had been thorough, robust and sufficiently wide ranging; and
- the Council had identified areas in need of improvement in its governance arrangements and had made plans to address them.

80 The Annual Governance Statement draws appropriately on issues that external regulators have drawn to the Council's attention. The Council has shown its willingness to take action in order to address weaknesses identified in this way. It has, for example, established a forum for project and programme managers in response to past failures in the management of large capital projects. The forum enables managers to discuss their own concerns with senior managers and, in turn, helps to establish greater consistency in the implementation of the Council's policies and procedures. The newly formed Environment, Roads and Facilities department also aims to improve the quality and consistency of project management across the Council's technical teams.

**The Appointed Auditor expressed no concerns about the qualitative aspects of the Council's accounting practices and financial reporting**

81 The auditor appointed by the Auditor General recently gave his opinion on the Council's accounts. **Appendix 3** gives more detail. The Appointed Auditor expressed no concerns about the qualitative aspects of the Council's accounting practices and financial reporting. He reported that accounting policies and estimates were appropriate and that draft financial statements were of good quality, unbiased, fair and clear.

**Risk management arrangements are comprehensive, systematic and provide assurance that risks to performance and governance are being addressed**

82 The Council has developed a comprehensive approach to assessing and managing risks that both reflects and informs its self-evaluation. The risk management policy contains clear objectives, principles, and roles and responsibilities as well as more detailed guidance on the application of the policy. The Council provides training for those staff responsible for assessing service or project risks.

83 Service and project risk registers and the Council's corporate risk register are generally comprehensive and detailed documents. Different risk registers link together well, with risks identified at service or project level being elevated into the corporate risk register when it is appropriate to do so. Similarly, corporate risks are relegated to service risk registers when the Council perceives that the risk has lessened in its significance.

84 We found that, in a few cases, service risk registers varied in their format and in the extent to which all sections were complete. Such differences have the potential to undermine the achievement of a shared understanding of the assessment of risks.

- 85 The Council ensures that an appropriate range of its members have the opportunity to consider the risks that the Council faces and to challenge officers' assessments of those risks. The corporate risk register is regularly reported to the Audit Committee, Principal Overview and Scrutiny Committee and to Cabinet. Although the corporate risk register is a lengthy document, it clearly highlights new risks and those risks whose ratings have changed since the last assessment. A useful summary table also links risks to areas within the Corporate Plan, helping to maintain a focus on the Council's improvement objectives.
- 86 By inviting external regulators to twice-yearly meetings to discuss changes to the corporate risk register, the Council also exposes to challenge its assessments of risk and its plans to mitigate those risks. This process is helpful in providing assurance to regulators and to the Council.



## Most aspects of governance and the management of performance and resources support the achievement of the Council's contribution to improving services but the austere financial climate presents a significant challenge

87 This section focuses on our assessment of the Council's governance and management which, collectively, underpin decision-making and service delivery.

**The Council has a clearly articulated vision which is well founded on analysis of need and supported by a strong team ethos among and between staff and councillors**

88 The Council's Corporate Plan 2012-17 identifies eight objectives. These are that people in Conwy should:

- be educated and skilled;
- be safe and feel safe;
- live in safe and appropriate housing;
- be healthy and independent;
- live in a County which has a thriving economy;
- live in a sustainable environment;
- live in a County where heritage, culture and the Welsh language thrive; and
- be informed, included and listened to.

89 These eight objectives provide the structure and framework for the planning of the Council's work in improving services for the people of Conwy and for the reporting of its performance. The Council has set out a clear rationale for selecting the areas it is focusing on improving, based on its current performance, stakeholder and partner views and consultation activity with citizens.

90 The Council has a clear strategic, coherent and outcome-focused approach to change and improvement in an effort to ensure that the Corporate Plan influences service improvement and delivers better outcomes. The Council has developed detailed statistics at ward level to inform its work in order to understand the key geographic, demographic, economic, environmental and social contexts in which it is operating.

91 Political leaders have a sound ownership and understanding of the Council's priorities and they work well together. Strong political leadership has had a significant impact in shaping and improving the Council's environmental services in recent years. The high level of trust and co-operation between councillors and staff is a notable feature of the Council.

92 The Council's senior managers have a clear vision of what they are seeking to achieve. Councillors and staff regard senior managers as being highly effective in promoting a 'Team Conwy' approach and in setting the tone for a Council-wide culture that focuses on core activities that require improvement. Senior officers are highly visible and accessible. By spending time with a range of frontline staff, the Chief Executive has increased both his credibility and his understanding of the issues that those delivering services face each day.

93 The 2013 staff survey, which attracted an impressively high response rate, demonstrated widespread confidence in the ability of senior leaders to provide a clear focus on service improvements and in meeting challenging financial targets for the rest of the decade. Many councillors we

spoke to from across the political spectrum expressed their confidence that the Chief Executive is well aware of the key issues within the organisation and what needs to change, and they were clear about how those changes are being implemented.

- 94 The 'Team Conwy' approach has generated a sense of pride among staff. Staff we spoke to referred to a strong culture in which they feel accountable for service performance. Some staff openly acknowledged specific projects that have encountered difficulties, or where the pace of change in improving service quality has been slow.
- 95 However, many staff we spoke to struggled to identify problems within the Council, even in areas where performance is acknowledged by senior leaders to require improvement. The strong sense of common values and loyalty prevalent among staff is a major asset to the Council and will become even more valuable as the financial climate demands more and more difficult decisions. However, 'Team Conwy' also carries an inherent risk that it could create a climate in which there is too little effective challenge.
- 96 The Council has articulated a clear vision and understanding of the benefits and risks associated with working in partnerships. Key partners we spoke to see the Council as being committed to partnership working, even in areas in which there have been recent tensions. Several partners referred positively to the Council's understanding of the social and economic environment in which it is operating, and its ability to link local needs clearly to national priorities such as tackling the impact of the UK government's welfare reforms.

### Strong performance and programme management underpin the Council's approach to managing improvement but project management principles are not always applied consistently

The Council has a clear understanding of what it is seeking to achieve and whether or not it is succeeding

- 97 We have previously reported that the Council discharged its improvement planning duties for 2013-14 under the Measure and acted in accordance with Welsh Government guidance. The Council published the results of its annual review of its Corporate Plan in May 2013. The Improvement Plan (the Plan) provides a clear commentary on what the Council aims to achieve for each of its improvement objectives over the next five years. It explains planned associated activity during the period 2013-14 and the measures the Council will use to evaluate success. The Plan is well written and concise, outlining what the Council wants to achieve and how it will go about it. The rationale underlying the Council's choice of improvement objectives is briefly but clearly explained and supported by extensive consultation and research.
- 98 The Council has chosen over 70 measures of success. Although the majority of the targets that the Council has set for 2013-14 were ambitious, such as the percentage of municipal waste recycled, a small number of targets appear to lack ambition, with limited explanation in the Plan of why this is the case. The measures of success for the improvement objective that, 'People in Conwy live in safe and appropriate

housing', for example, focus on preventing homelessness. The target set for 2013-14 was lower than that achieved by the Council in 2012-13. The Council therefore acknowledges that it is unlikely to be able to prevent homelessness for as high a proportion of its clients as in the past but it does not explain why.

99 The Council has aligned its own Corporate Plan clearly with the wider Single Integrated Plan, 'One Conwy', which is overseen by the Local Service Board. The Council's improvement objectives therefore represent the Council's agreed contribution to the achievement of the broader outcomes set out within 'One Conwy'. Measures in the Corporate Plan therefore focus on those matters for which the Council is responsible, rather than on broader population measures to which the Council is one of many contributors.

100 The Local Service Board has developed a comprehensive joint performance management framework that sets out how it will monitor the delivery of 'One Conwy'. The framework defines how the Council will monitor performance, manage performance data, challenge, scrutinise and develop planning in order to deliver outcomes. It sets out a clear timetable for partnership performance reviews, and brief guidance on how those reviews should be undertaken. The framework requires that the Local Service Board will publish an annual report that summarises the impact achieved. The Council's Partnerships Overview and Scrutiny Committee also has the role of scrutinising the activities of the Board in relation to Conwy.

101 However, performance management within the Local Service Board is not fully effective, partly because of the length of the Board's agendas and partly because performance reports to meetings focus on too many measures and activities. As a result, the Board is struggling to devote sufficient time to reviewing performance adequately and members find it difficult to gain a thorough understanding of why poorly performing measures are off track and an assurance that weak performance is being addressed. Partners have agreed that some measures in One Conwy are not appropriate or that data is unavailable, making effective performance management difficult. The Council has recognised this and is working to develop more meaningful measures of success for One Conwy.

The management of information supports improvement and is helping to prioritise corporate objectives

102 The Council rightly considers performance information integral to effective performance management and service delivery. It has developed improving approaches to target-setting which are well supported by management information. The Council has invested resources in the Ffynnon performance management system, and has used this system effectively to embed performance management approaches into service delivery. However, the Welsh Government's Ffynnon contract is coming to an end in June 2014. The Council intends to develop an interim approach to manage its performance information until a replacement is in place.

- 103 A small but effective research unit supports the Council by providing a range of demographic and population data at a county-wide level and also at ward levels. The information team has steadily increased the range and scope of its reporting. The information it produces is used well to inform service design and to help identify pressures in the community. In addition, the research unit also provides reports on themes such as employment and the economy, poverty and deprivation. The current arrangements for providing management information help to inform the Council's priorities and the setting of corporate objectives.
- 104 The Council has developed a comprehensive set of documents and supporting guidance that help provide assurance that its performance management arrangements are effective. These documents are regularly reviewed and, where appropriate, changes are introduced. These changes are usually informed by consultation with staff. Staff and partners we spoke to during the corporate assessment generally expressed positive views about the Council's approach to performance management.
- 105 The Council has, over a number of years, adopted a systematic approach to the management of major projects and to the oversight and co-ordination of programmes of projects. The Council's Project Management Framework is a good-quality, comprehensive document and, if followed correctly, it is one of the ways that the Council can protect itself against poor outcomes. When the framework is not followed properly, as was experienced with some large-scale projects in the past, the Council risks overspending and project delays.
- 106 The adoption of a formal approach to project and programme management has contributed positively to the delivery to time and budget of the recent re-development of Ysgol y Gogarth, for example. The Council's approach also enables it, when necessary, to decide that projects should be suspended when circumstances change.
- 107 There are, nevertheless, examples where projects have progressed outside the formal project management system. We reported in December 2013, for example, that the Council did not follow its normal project management processes in its acquisition of the Victoria Pier in Colwyn Bay and that there were some shortcomings in the process. The CSSIW found a number of instances where timescales were not included in action plans and stressed the importance of using milestones so that performance can be assessed.
- There is a systematic approach to project and programme management but this approach is not always followed consistently**

**The Council's culture and its governance arrangements promote a consensual and efficient approach to decision-making, but there is scope to strengthen a few aspects of the way in which committees function**

**Relationships between councillors and officers are constructive and are underpinned by appropriate training, guidance and role descriptions**

108 Councillors conduct themselves appropriately and generally seek to be constructive in committee meetings, even when they disagree with each other. There have been very few breaches of the Members' Code of Conduct in Conwy in recent years. The Ombudsman received fewer complaints relating to Conwy than the Wales average for 2011-12 and 2012-13, and, in all instances, the Ombudsman's decision was not to investigate.

109 All councillors are expected to attend training in the Code of Conduct and the Standards Committee monitors their attendance. Appropriately, councillors may only take part in Planning or Licensing Committee meetings after undertaking specific training. The Member Development Strategy has been revised recently to take account of the Local Government (Wales) Measure 2011. The Council aims to provide training and development based on needs and councillors are generally positive regarding the training provided.

110 The Council has adopted within its constitution and elsewhere an appropriate set of guidance setting out the expectations for key roles. It keeps this up to date and has, for example, produced a role description for the chair and members of the comparatively new Democratic Services Committee. A helpful Guide to Overview and Scrutiny outlines the role of scrutiny and the role of officers and members within the process.

**Decision-making is efficient and built strongly on consensus but some aspects of the arrangements undermine the extent to which Cabinet members are held to account**

111 The Cabinet and the four Overview and Scrutiny Committees meet frequently and align their work programmes closely and effectively. Each committee has a well-defined forward work programme and reviews this at each meeting. The content of agendas is carefully managed so that:

- decisions required in order to progress projects are taken in a timely fashion;
- reports on the Council's performance are considered at appropriate intervals; and
- policy issues and reports on, for example, the progress of partnerships in which the Council is involved are discussed regularly.

- 112 A high proportion of the work of scrutiny committees takes the form of 'pre-decision scrutiny' whereby committees consider issues before they reach Cabinet for decisions to be taken. This approach helps to ensure that the decisions made take account of a broad range of political views. The approach also contributes significantly to the fact that scrutiny very rarely 'call in' Cabinet decisions, thereby interrupting the smooth flow of Council business.
- 113 The quality of papers presented to scrutiny and to Cabinet is generally good. A group of senior officers reviews key papers well before they enter the democratic process. This group, which meets twice a month, also helps to ensure that there is synergy between the work plans of the Council and its various committees. Furthermore, the extensive engagement of councillors through, for example, their membership of project and programme boards and their involvement in budget workshops generally ensures that the recommendations included within committee papers are likely to command a broad level of support. This largely accounts for the fact that scrutiny committees generally accept the recommendations set out in their committee papers.
- 114 There are, nevertheless, examples where scrutiny committees have modified the recommendations included in papers and, in isolated cases, requested that papers be re-drafted in order to improve their clarity. The level of challenge and quality of debate in scrutiny committee meetings varies.
- However, we have observed a number of meetings that included a robust and well-informed challenge to the staff presenting the papers.
- 115 The conduct of scrutiny and Cabinet meetings is consistent with the consensual and collegiate culture that exists across the Council. Members and officers work well together with the aim of delivering the Council's Improvement Objectives for the benefit of the people of Conwy. There are, nevertheless, some aspects of the arrangements that tend to blur the distinctive roles and responsibilities of Cabinet members on the one hand and those charged with scrutiny on the other. In particular, scrutiny committees tend to hold officers to account rather than the relevant Cabinet member. Whilst it is appropriate that scrutiny committees should ask questions of Cabinet members during committee meetings, Cabinet members sometimes contribute too extensively during scrutiny committee meetings.
- 116 The Council's efficient management of scrutiny and Cabinet agendas means that the Cabinet frequently makes decisions before the minutes of the pre-decision scrutiny have been published and ratified. We are satisfied that appropriate mechanisms are in place to ensure that the Cabinet is aware of the views of scrutiny before reaching its decision. However, Cabinet minutes do not always reflect the recommendations put forward by scrutiny and the Cabinet's response to those recommendations.

The Audit Committee is developing well but is not yet systematic enough in assuring itself that recommendations in Internal Audit reports have been implemented

- 117 The appropriately resourced Internal Audit service produces a good range and number of reports each year, all of which are available to Audit Committee members. In 2012, soon after the current Audit Committee was formed, we reported that, although the Internal Audit work and reports were good, there were opportunities to improve the positive and timely impact of recommendations. We recommended that the Council should 'review and refresh the work programme and papers being submitted to Audit Committee'.
- 118 The Audit Committee has responded to this recommendation and is developing well in terms of its effectiveness and its understanding of its role in the context of scrutiny. However, there remain critical follow-up Internal Audit reports that show that recommendations from previous reports have not yet been acted upon. The Audit Committee is not yet systematic enough in assuring itself that necessary improvements take place.

The Council has a good track record in engaging with the public but has had limited success in attracting public interest in committee proceedings

- 119 One of the Council's eight improvement objectives is that, 'People in Conwy are informed, included and listened to'. The Council has a good track record in a number of aspects of engagement, consulting extensively on the formulation of its Corporate Plan and engaging well with communities, for example, in taking forward the schools modernisation programme. The Council has also signed a Town and Community Council engagement charter and established a Town and Community Council Forum. Partners that we spoke to during the corporate assessment were generally positive about the accessibility of Council staff and their willingness to engage.
- 120 The Council has acknowledged that it has, like most councils, had limited success in attracting public interest in the proceedings of its scrutiny committees. Some councils have begun to use social media in an effort to promote particular committee meetings, but Conwy Council has been comparatively slow to embrace the use of social media in this way. Furthermore, we found that members' seating arrangements in committee meetings are unhelpful in terms of helping those observing meetings to understand the respective roles of the members and officers present. The Council has recently begun to webcast some of its committee meetings and has approved a public engagement protocol for overview and scrutiny that permits citizens to speak at meetings. It is too early, however, to evaluate the impact of these developments.

- 121 As is the case in all councils, certain items are exempt from discussion in the presence of the press and public. We have no evidence to suggest that the Council makes more use of such exemptions than is usual, or that the Council is discussing matters in private unnecessarily. Our report on the Council's acquisition of Colwyn Bay Pier, issued in December 2013, concludes that the Council followed the correct process for making sensitive information exempt from publication in the Council's minutes or the public domain. However, the report also proposed that the Council should consider recording a more detailed explanation of why items have been made exempt. We have already begun to see more detail being published about the reasons for the exemption of new agenda items.

**The Council has used its resources well to date but the increasingly austere financial climate now demands a longer-term, corporate approach to planning**

**The Council's approach to financial planning has served it well to date but significant challenges lie ahead in transforming services so that they are sustainable in the context of the current financial climate**

**The Council's approach to financial planning has served it well to date**

- 122 The Council's financial planning has, until recently, focused strongly on the year ahead, rather than a longer timescale. This approach has been effective to date; the Council's Finance Team has developed a systematic annual approach to its budget-setting that engages managers and members at an early stage, ensuring that decisions about budget cuts and areas of growth in expenditure have been well considered. This approach has enabled the Council to deliver balanced budgets, to make efficiency savings and to keep control of the level of reserves.
- 123 The Council is proud of the fact that its Council Tax levels have been among the lowest in Wales. Furthermore, it has so far addressed the gradual reduction in Welsh Government funding without resorting to significant service reductions and without compulsory redundancies among staff. Conwy residents have, thus far, seen little negative impact on the services they receive as a result of increasing public sector austerity. Meanwhile, the Council's staff survey indicates that employees remain well motivated and proud of their contributions.



124 Services have, with few exceptions, delivered the necessary savings to achieve the Council's planned budget reductions. In order to do so, they have employed a range of methods; whilst much has involved internal restructuring to reduce staffing levels, there have also been other cost savings such as changes in travel arrangements and capital financing. There are also individual examples of departments modernising their working practices to achieve savings. In addition, the Council has increased its income from fees and charges. The Council has reported that it achieved savings of some £24 million during the five years since 2009-10.

**The use of reserves to balance the 2014-15 budget buys time for further planning but the Council recognises that this is not a sustainable solution for the future**

125 During early 2013, the Council developed a medium-term financial framework. Although not a medium-term financial plan, this framework began to reflect a range of possible scenarios for the Welsh Government Revenue Support Grant (RSG) settlements and an assessment of what the financial gap might be under each of those scenarios. At that stage, the framework did not include specific actions for cost savings, but it did allow services to start to plan for savings. This proved to be helpful later in 2013.

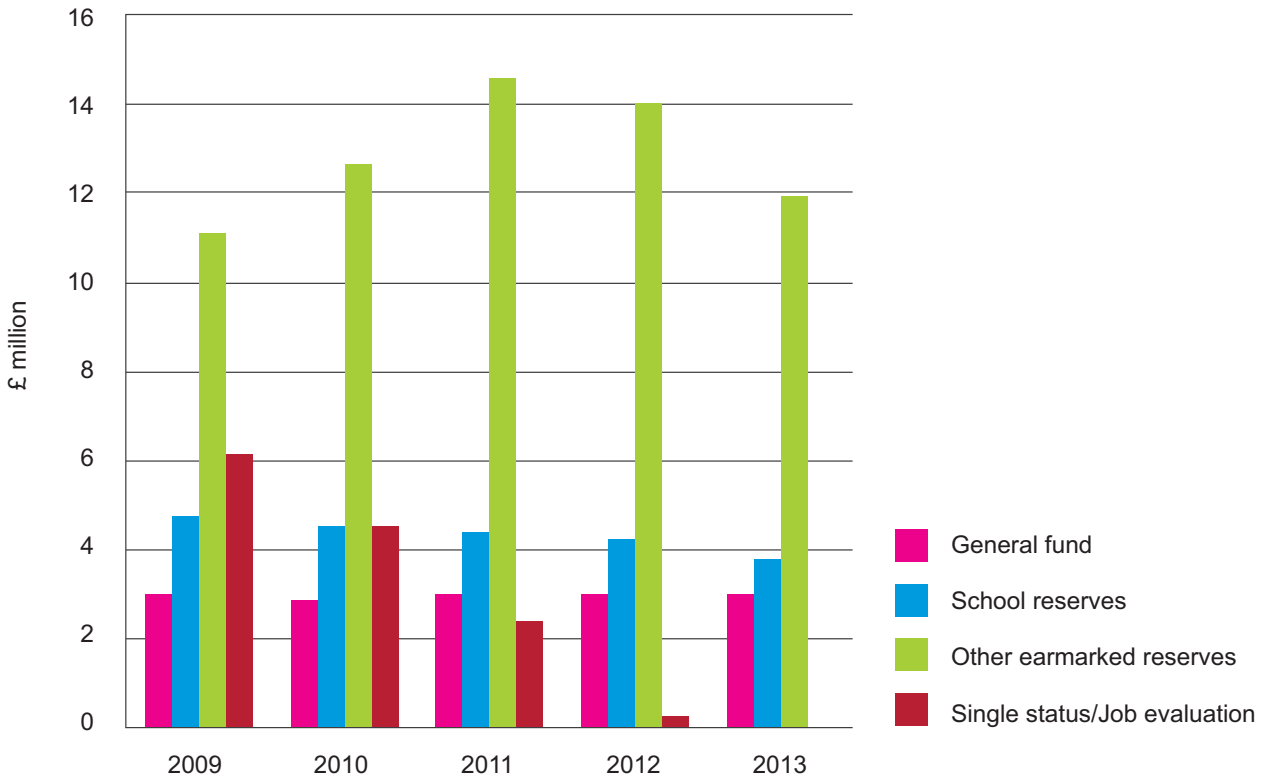
126 Based on the Welsh Government's indicative settlement, the worst-case scenario that the Council was considering for 2014-15 during the summer of 2013 was a shortfall of about £6.8 million in its revenue funding. Warning signs were emerging that the amount of the settlement would be considerably worse than the worst case scenario, but the Council decided not to plan for higher savings targets until there was greater certainty. The final settlement for Conwy, announced during the autumn of 2013, left the Council with a shortfall of some £14.6 million for 2014-15. However, the early planning referred to above had already started to make inroads into the target, so services had made good initial progress in planning to accommodate further budget reductions.

127 In agreeing its budget for 2014-15, the Council has included an increase of five per cent in Council Tax, a planned reduction of about £1.5 million in earmarked reserves, and changes to capital resource plans allowing a £2.5 million benefit to the revenue budget. The increase in Council Tax is among the highest in Wales, but, because of the historically low base, Council Tax levels in Conwy remain comparatively low.

128 The Council acknowledges that the use of reserves to balance its 2014-15 budget is not a long-term solution to the financial challenges it faces. The use of reserves is simply a mechanism by which the Council has bought itself time to find sustainable solutions for 2015-16 and beyond. **Exhibit 1** shows the level of reserves on 31 March each year between 2009 and 2013. It shows that the Council's General Fund balance has remained fairly static at the low level of some £3 million. Our analysis shows

that the Council's general fund reserve at the end of 2012-13 represented only 1.1 per cent of gross expenditure, the lowest proportion of all councils in Wales. Other earmarked reserves increased in 2009-10 and 2010-11, but fell in 2011-12 and 2012-13, although remaining higher than the 2009 figure. Earmarked reserves at 31 March 2013 represented 8.5 per cent of gross expenditure, well below the Wales average of 11.3 per cent.

**Exhibit 1 – Reserves held by Conwy CBC between 31 March 2009 and 31 March 2013<sup>3</sup>**



<sup>3</sup> Reserves shown in Exhibit 1 exclude the PFI reserve, which is a calculated reserve not available for use to support other revenue expenditure.

**The Council has begun to bring together its plans to achieving further efficiencies but it faces a significant challenge to deliver transformational projects in the required timescale**

129 The Council established a Business Transformation Programme Board during 2012-13 to oversee a range of projects designed to achieve further efficiencies, such as the roll-out of the electronic document management system and electronic invoicing and a review of agile working. Service modernisation programmes are in place to review social services and the recent integration of the environmental, highways and property services to form the new Environment, Roads and Facilities service. A Project Board is also in place to determine how best to resolve the Council's office accommodation needs including the expiry of the lease on the Dinerth Road site in the near future.

130 Transformational projects such as these are likely to yield efficiencies. However, at the time of our corporate assessment in November 2013, the Council had not quantified the financial savings that it expected to make. Despite our past recommendations that the Council should prepare a medium-term financial strategy that aligns with and supports the Corporate Plan, the Council was reluctant to do so at that time. Senior officers argued that detailed future financial planning was of limited value because:

- there is little medium-term certainty about the size of the Council's largest source of income, the Revenue Support Grant; and
- estimates of the level of savings likely to accrue from large-scale transformational projects form an unreliable basis for robust planning.

131 Officers from many services told us that they feel that they have exhausted most of the possibilities in terms of the cost-slicing approach to savings. However, at the time of our corporate assessment, the Council's transformational initiatives had not been brought together in a coherent and costed plan. Furthermore, much of the work involved in these projects is necessarily complex and time-consuming, with some requiring extensive consultation with the public and other stakeholders. The full savings from these projects may well, therefore, not be available for inclusion in the 2015-16 budget.

132 Since our corporate assessment, the Council has prepared a Medium Term Financial Plan for 2015-16 to 2017-18 as part of the budget papers for 2014-15. This plan includes estimates of the savings that could be achieved from the various initiatives that are underway. In this longer-term view of its financial planning, the Council estimates that, over the three years from 2015-16, it will need to find additional income and savings totalling some £29.5 million. Some £14.9 million are expected to come from the transformation programmes, leaving a further £14.6 million to come from a combination of other cost savings and future increases in Council Tax.

133 Even with the impact of the known transformation work, the Council will continue to face a significant shortfall in 2015-16 and beyond. The Medium Term Financial Plan reflects that the Council will need to make difficult decisions and that, 'the democratic process needs to address the emerging resource shortfalls by critically reviewing our current level of service provision and supporting ways by which demand management can reduce expenditure either directly or by preventative measures'. We agree with that analysis and encourage the Council to work towards those goals as some savings may take a long time to implement successfully and sustainably.

#### **Contracting and procurement arrangements are improving**

134 The Council acknowledged in its 2012-13 Annual Governance Statement that issues have arisen in the past in the application of the Council's contracting and procurement procedures. The Annual Governance Statement also notes that three of the recommendations in the auditor's 2012 report on Contracting and Procurement had not been fully implemented. The auditor's follow-up report in October 2013 concludes that the Council is in a better position to manage its contracts than before. However, the majority of recommendations remain 'in progress' and it will take time for all of the changes to be fully embedded in the way that people work.

Services are well supported in managing their staff but there is scope to improve the strategic impact of the Human Resources service in delivering the increasing pace of change

135 The Council has a well-established and experienced corporate HR team which includes qualified HR staff and administrators. The team benefits from strong professional leadership and is well supported by senior leaders. Staff report a high level of satisfaction with the quality of the HR service they receive. The HR team is deployed flexibly in order to support services undergoing significant change.

136 An appropriate range of HR policies is in place and is generally accessible to staff. However, the Council lacks sufficient assurance about the extent to which services comply with these policies. At the time of our corporate assessment, there had been limited action, for example, in response to an Internal Audit report that found variable compliance with recruitment policy, with examples of personal files that lacked references and evidence of qualifications. Lack of assurance in such matters exposes the Council to risk.

137 The Council has developed a constructive and engaging induction day for new starters. The approach encourages staff to focus from the outset on the Council's priorities by considering how their work contributes to delivering the Council's Improvement Plan. There is strong support for staff training and clear evidence of staff development and internal progression. There are many opportunities for staff who express an interest in developing skills through being co-opted onto corporate or service-based

projects. The 'Improving Conwy' initiative and similar initiatives in previous years are particularly good examples of the Council developing junior staff. During 2013, groups worked on selected themes and produced innovative ideas, some of which have since been implemented. As a result, the Council has, for example, issued the 'Conwy Card' to residents, entitling them to discounted entrance to local attractions.

- 138 The Council offers an extensive range of training and development opportunities for staff and there are numerous examples of internal staff progression. The Council has, for a number of years, been seeking to improve the proportion of staff completing annual Personal Development Reviews. Recent changes to the Personal Development Review documentation, which staff support, are helpful in making more explicit the link between personal objectives and corporate and service priorities.
- 139 At a strategic level, the HR service has a pivotal role to play in the Council's further modernisation and in enabling the Council to manage its staff more effectively and efficiently. Sickness absence is being actively managed, and remains an ongoing priority across the Council. The latest information shows that absence rates are slightly better than average for councils across Wales. Active vacancy control arrangements are working well; the Council continues to appoint to vacant posts when there is a robust business case for doing so.
- 140 We have referred above to the effectiveness of the support that the HR service provides to its customers in other departments across

the Council. However, at the time of our corporate assessment, we found that there was scope to improve the service's strategic impact. In particular, we found that:

- the HR Strategy and associated action plans were not robust enough to provide a clear route map for improving people management across the Council;
- workforce planning is occurring only in those service areas undergoing significant change; and
- there was limited urgency in considering the modernisation of working practices on a wider scale than is currently in place.

**Operational asset management arrangements are adequate, but the strategic approach to asset management is not yet robust and lack of capacity has delayed the implementation of some key policies**

- 141 The Council has recognised the contribution that effective asset management can make to the improvement and efficiency agenda. In order to promote asset management as a key corporate resource and to strengthen its links with financial planning, the Council has recently revised the reporting arrangements so that the County Valuer and Asset Manager now reports directly to the Strategic Director, Finance and Efficiencies. The Council anticipates that the restructuring exercise will raise the internal profile of asset management and contribute to more effective decision-making by, for example, making more transparent the relationship between the asset disposal programme and the capital programme.

- 142 A clear vision and sense of purpose for asset management are now in place, although the completion of the planned policy infrastructure needed to support the vision has been delayed. Strategic decision-making arrangements for asset management have been in transition for over a year. However, the Council is now beginning to implement the new operational and strategic management arrangements submitted to elected members in late 2013, over a year later than originally intended.
- 143 The first year of the five-year service asset review programme is now complete and the second year of reviews is progressing satisfactorily. The Council's income-producing land and property assets are scheduled for reviews between 2014-15 and 2016-17, and, in the meantime, the Council considers asset disposal opportunities during the annual asset valuation exercise.
- 144 The Council actively factors sustainability issues into its asset acquisition, disposal and investment decisions. For example, it ensures that new schools reflect sustainability good practice and it reviews the sustainability and long-term strategic value of sites when considering disposal. The Council also works with internal and external stakeholders to maximise the positive impact of its assets. The Local Development Plan identifies council-owned assets suitable for redevelopment which could, in collaboration with a registered social landlord, provide additional affordable housing.
- 145 Capacity problems and budgetary constraints have adversely affected the Council's ability to manage its property assets. There has been limited progress in implementing the planned maintenance policy and the Council acknowledges that a significant backlog of repairs within the office stock reflects many years of inadequate investment. Some of the Council's tenanted smallholdings have also lacked sufficient capital investment to comply with tenancy terms and to maintain the value of the assets. A review of the Council's farm estate was originally highlighted in 2010 but has not yet been completed.
- 146 To date, asset management decisions have tended to be driven more by operational agendas such as lease expiries and repair commitments than by workforce strategies. There are signs, however, that workforce planning is beginning to exert more influence on the Council's approach to asset management. The Council's short-term priority is to secure alternative office accommodation for the Dinerth Road site. This priority has also come about because the existing lease expires in 2016. However, the Council plans to support agile working in its solution and has recently purchased a building in a key strategic regeneration area in Colwyn Bay. It is developing plans to refurbish this building comprehensively, financed through a sale-and-leaseback arrangement with a private sector investor. This innovative approach avoids the need to tie up significant capital and is a practice widely adopted in the commercial property sector.

147 The Council demonstrates a good understanding of the potential risks of this approach and considers that a long lease on a new, purpose-designed building can be justified because there will be an ongoing need for staff accommodation in the area, whatever the future reconfiguration of local government. The Council has not yet committed itself to any arrangements and is preparing a detailed options analysis in order to assure itself that the preferred option takes full account of the associated risks.

Staff receive effective ICT support, but there is further potential to promote the wider exploitation of technology to create efficiencies across the Council

148 The ICT service has a long and strong track record of meeting users' needs. The service has consistently performed well in user-satisfaction surveys and in national benchmarking. The Society of Information Technology Management has recognised the service and the Council's website as representing good practice. In 2013, the Council's ICT service was also shortlisted as a finalist of the British Computer Society Awards.

149 The service is also held in high regard by its users within the Council, and is responsive in supporting their technology needs. The service has, for example, supported the introduction of tablets for councillors and senior managers. The move to tablets has been welcomed by most users and the success of the transition has strengthened leadership's support for the further development and exploitation of technology.

150 Business cases for ICT developments are well argued and comprehensive. They consider a range of costed options and include clear recommendations based on business fit, risks, costs, resource requirements and possible savings. The recent approaches for the development of an 'office application suite' business case is an example of this, and should enable the Council to have a more flexible and future-proof approach for desktop application management.

151 The ICT service consults well with other services in developing its strategy. This approach helps to develop ownership of the strategy across the Council. The ICT service has a good track record of monitoring the delivery of strategy, and it evaluates the completion and success of planned actions. However, this customer-driven approach does not integrate the use of technology as well as it might with the re-design of business processes, workforce planning and the management of the Council's office estate. In the absence of a more integrated approach, there is a risk that the Council may not:

- identify corporately the resources required to support change and transformation, limiting the pace of change and the effectiveness with which technology is implemented; and
- maximise the efficiencies available through the full exploitation of technology.

**The Council has a thorough understanding of the respective costs and benefits of its partnership working but some of the arrangements are unhelpfully complex**

- 152 Partners speak highly of the willingness and commitment of the Council's senior officers and members to work collaboratively. Relationships with partners across a range of sectors are strong.
- 153 The Council has a good understanding of the extent of its collaborative working and partnerships. It has developed a detailed and comprehensive database that lists each partnership or collaboration it is involved with. The information in the database has enabled the Council to make informed decisions about future plans and performance management regarding individual partnerships.
- 154 In order to populate the collaboration database and to better understand the partnership arrangements it has, the Council has undertaken a retrospective review of its existing collaborations and partnerships. It has developed, with its Local Service Board partners, a comprehensive governance toolkit to be applied to all significant collaborations. The toolkit includes:
- details of the process to go through to assess the benefit of the collaboration, such as developing a business case, agreeing a partnership agreement and what to consider in that agreement;
  - tools to assess development of the partnership; and
  - how to exit an arrangement.
- 155 The Council is taking action to ensure its partnerships are more robust and sustainable. The governance toolkit is helping the Council to ensure that its partnerships are understood, reviewed and that changes are made where necessary. It has developed an action plan to address areas of development identified during the review of collaborative arrangements, such as the lack of an exit strategy or unclear governance arrangements.
- 156 Performance management arrangements for collaborations are well established. The Council has a dedicated overview and scrutiny committee for partnerships which includes co-opted members from various partner agencies such as the Council for Voluntary Services, the Fire Service, Natural Resources Wales and the NHS. This enables wider perspectives to be taken into account when making recommendations. The committee's forward programme ensures that it receives regular updates about the Council's main areas of collaborative activity.
- 157 The joint Local Service Board has proved a useful forum for partners to build a better understanding of each other's organisational priorities, and, in turn, encourage wider uptake of initiatives. For example, the Board has facilitated better sharing of information between partners in order to target the installation of smoke alarms in the homes of vulnerable people. The high number of smoke alarms fitted in the area has contributed to a significant reduction in domestic house fires in North Wales since 2001. In another initiative, frontline public service staff such as police officers have been trained to provide or signpost welfare



benefit advice, so increasing the access to such information for people affected by changes in the welfare system.

- 158 The Council is learning lessons from past unsuccessful collaborations. Collaboration with a neighbouring council in delivering Home to School Transport services, for example, did not deliver the benefits the Council was expecting. The Council established a task and finish group to learn lessons from the experience and share that with the team developing the regional integrated transport partnership to inform its business plan and to minimise the likelihood of similar mistakes being made.
- 159 The complexity of some statutory partnerships and the associated programme boards poses a risk that some activities could potentially be duplicated or that responsibilities are not allocated. For example, the Council is a member of the Children and Young People's Partnership Board, with seven supporting theme groups, and the Health, Social Care and Wellbeing Partnership, which also has supporting thematic groups. Issues in these thematic groups, such as poverty, often overlap. Some partners are unclear which Boards (or sub-'boards') are taking the lead, for example, in increasing the uptake of free school meals, which is within the remit of both the Child Poverty Group and the Healthy Living Group. In addition roles and responsibilities are not always clear between partnerships with similar objectives. For example, one of the Local Service Board's objectives relates to a Thriving Economy. It is not clear to some partners how the Board formally connects with the Regional Economic Ambition Board, which is also aiming to support economic growth.

## The Council is likely to make arrangements to secure continuous improvement for 2014-15

160 We reached this conclusion based on the earlier findings within this report. In particular, we have reported that:

- the Council is maintaining its track record of steady progress in relation to most aspects of its improvement objectives;
- the Council produces balanced, well-informed evaluations of its performance and its governance arrangements and it manages risks systematically; and
- most aspects of governance and the management of performance and resources support the achievement of the Council's contribution to improving services although the austere financial climate presents a significant barrier.

# Appendices

## Appendix 1 Status of this report

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

This report has been produced by the staff of the Wales Audit Office and KPMG on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published Annual Improvement Report for each authority (under section 24).

The Auditor General may also in some circumstances carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

## Appendix 2

### Useful information about Conwy and Conwy County Borough Council

#### The Council

The Council's gross revenue budget for 2013-14 was approximately £261.7 million. This equates to about £2,269 per resident. In the same year, the Council also planned to spend £35.9 million on capital items.

The average band D council tax in 2012-13 for Conwy was £885 per year, excluding the community council and police elements. This increased by 3.8 per cent to £919 per year for 2013-14. Seventy one per cent of Conwy's housing is in council tax bands A to D.

The Council is made up of 59 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:

- 19 Independent
- 13 Conservatives
- 12 Plaid Cymru
- 10 Labour
- 5 Welsh Liberal Democrats

The Council's Chief Executive is Iwan Davies. He is supported by three Strategic Directors: Ken Finch, Andrew Kirkham, and Sasha Davies.

## Other information

The Assembly Members for Conwy are:

- Janet Finch-Saunders – Aberconwy, Conservative
- Darren Millar- Clwyd West, Conservative

Regional Assembly Members are:

- Llyr Huws Gruffydd, Plaid Cymru
- Mark Isherwood, Welsh Conservative Party
- Aled Roberts, Welsh Liberal Democrats
- Antoinette Sandbach, Welsh Conservative Party

The Members of Parliament for Conwy are:

- Guto Bebb – Aberconwy, Conservative
- David Jones – Clwyd West, Conservative

For more information see the Council's own website at [www.conwy.gov.uk](http://www.conwy.gov.uk) or contact the Council at the Council Offices, Bodlondeb, Bangor Road, Conwy, LL32 8DU, or by telephone on 01492 574000.

## Appendix 3

### Annual Audit Letter

Iwan Davies  
Chief Executive  
Conwy County Borough Council  
Bodlondeb  
Conwy  
LL32 8DU

Dear Iwan

#### Annual Audit Letter

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

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

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 27 September 2013 I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's 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 26 September 2013.

- **There were two misstatements identified in the financial statements that were corrected by management.** The first was as a result of a material weakness in your internal controls. During the audit it was identified that some pension scheme membership data submitted to the scheme actuary was out of date. The Council provided updated data to the actuary that amended the status of approximately 600 pension scheme members. These amendments reduced the value of the pension liability by £3.16 million.

The second misstatement related to accounting provisions. Following audit recommendations made in 2011/12, the Council set aside £600,000 as an earmarked reserve to cover its obligations to maintain the Victoria Pier. There is a technical difference between a reserve and a provision and my view was that the obligations relating to the Pier should have been classified as a provision rather than a reserve. The accounts were adjusted accordingly.

- **I have no concerns about the qualitative aspects of your accounting practices and financial reporting.** Accounting policies and estimates were appropriate and the draft financial statements were of good quality, unbiased, fair and clear. Working papers provided to support the accounts were clear and easy to follow. I identified a small number of presentational errors within the draft financial statements. These had no impact on the underlying financial position being reported.
- **I did not encounter any significant difficulties during the audit.** Information was received in a timely and helpful manner and we were not restricted in our work.

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 has highlighted areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made in his Annual Improvement Report which was published in August 2013.

- As with all Local Authorities in Wales, Conwy faces significant challenges in relation to settlement funding from the Welsh Government. The draft budget for 2014/15 depends upon using c£4million of earmarked reserves to allow the Council more time to develop further significant savings for 2015/16. The Council also produced a new Medium Term Financial Framework during 2013, although the document does not currently provide a financial translation of the Council's Corporate Plan and its objectives, and does not give a clear description of the route to finding the necessary savings in 2015/16 and beyond. The Council needs to develop detailed plans as a matter of urgency as many of the transformational actions that may be needed could take months or years to implement effectively.
- The final outturn position at 31 March 2013 was broadly in line with the revised budget that was approved by Cabinet, with a net revenue budget variance of just £85,000. This saw only minimal net movement in the Council Fund Balance during 2012/13, with a year-end balance of just under £3 million.
- During 2012/13, KPMG followed up on progress made by the Council in implementing the recommendations made in the Contracting and Procurement report. The Council has made good progress against implementing most of the recommendations, and we acknowledge that a lot of work has been put into securing improvements in contracting and procurement processes. This has included a substantial reorganisation through the creation of the Environment, Roads and Facilities department, which should help with the harmonisation of policy and practice.

I am not yet in a position to certify the closure of the audit for 2012/13. This is because the 2010/11 and 2011/12 audits remain open owing to a number of unresolved objections received from a member of the public. Objections have also been received for 2012/13 and we are presently evaluating the questions raised to assess whether they fall within our remit for investigation and how to resolve them.

The audit fee for the financial statements element of the 2012/13 audit is currently expected to be in line with the agreed fee set out in the Annual Audit Outline. There will be additional fees arising from the need to deal with a large number of objections from a member of the public.

Yours sincerely,

**Ian Pennington, Director, KPMG LLP**

For and on behalf of the Appointed Auditor, Anthony Barrett, Wales Audit Office  
7 February 2014



## Appendix 4

# Conwy 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 reviewed its improvement objectives for 2013-14, as required, and decided to retain those set out in its Corporate Plan 2012-2017, which can be found on the Council's website at [www.conwy.gov.uk](http://www.conwy.gov.uk).

The Council's improvement objectives are:

Improvement Objectives for 2013-14
People in Conwy are educated and skilled.
People in Conwy are safe and feel safe.
People in Conwy live in safe and appropriate housing.
People in Conwy are healthy and independent.
People in Conwy live in a County which has a thriving economy.
People in Conwy live in a sustainable environment.
People in Conwy live in a County where heritage, culture and the Welsh language thrive.
People in Conwy are informed, included and listened to.

### The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found in the Annual Report 2012-13, available on the Council's website at <http://www.conwy.gov.uk>.

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](mailto:info@wao.gov.uk)

Website: [www.wao.gov.uk](http://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](mailto:info@wao.gov.uk)

Gwefan: [www.wao.gov.uk](http://www.wao.gov.uk)