

REPORT OF THE HEAD OF BUSINESS MANAGEMENT

SUBJECT: WALES AUDIT OFFICE - PRELIMINARY CORPORATE ASSESSMENT

Introduction

The Wales Audit Office undertakes an Annual Corporate Assessment of the Authority. This year the Assessment takes the form of the *Improvement Assessment: Including the Corporate Assessment Update Letter*. A presentation on this letter was made by Mr John Roberts from Wales Audit Office to the Audit and Corporate Services Review Committee which met on 3rd August.

A copy of the Assessment letter is provided for Members.

Recommendation: Members are asked to RECEIVE this report

(For further information contact Alan Hare – Head of Business Management on ext 4810)



24 Cathedral Road / Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ
Tel / Ffôn: 029 20 320500
Fax / Ffacs: 029 20 320600
Email / Epost: wales@wao.gov.uk
www.wao.gov.uk

Chief Executive
Pembrokeshire Coast National Park Authority
Llanion Park
Pembroke Dock
Pembrokeshire
SA72 6DY

Date 22 July 2011
Our reference 381A2011
Your reference
Tel No
E-mail
Pages 1 of 9

Dear Tegryn

Improvement Assessment: Including Corporate Assessment Update

As I explained in my letter of consultation on this year's Improvement Assessment I am fulfilling my responsibilities under section 19 of the Local Government (Wales) Measure 2009 (the Measure) in this letter to the Authority. As required this letter will also be sent to Welsh Ministers.

During the transition year we prioritised the establishment of a general baseline which, where appropriate, included the views of other inspectorates and regulators, and from which we could more accurately and proportionately assess improvement arrangements in future years. Having established that baseline, a comprehensive corporate assessment will not be necessary in most national park authorities in any one year. This year, my letter summarises:

- the Authority's compliance with its statutory obligations to make arrangements to secure continuous improvement;
- the Authority's progress on areas for improvement and recommendations identified in the 2010 assessment;
- a brief commentary on any relevant issues that may have emerged since my last report, including comments on how the Authority is addressing financial challenges; and
- updates to the work plan and timetable for delivering my Improvement Assessment work.

The Authority's arrangements to secure continuous improvement

The Authority is pressing on with the improvement agenda, with changes to the committee structure, a better-than-expected financial settlement and improvements to performance management arrangements all contributing to better prospects for the achievement of the Authority's priorities

The Authority's improvement objectives and its improvement plan (called the *Corporate Strategy 2011-14*) meet the requirements of the Measure. However there are missing links between its improvement objectives and the measures of success, actions to deliver and relevant performance indicators set out in its improvement plan. These issues, together with the Authority's need to collect some baseline data, undermine the Authority's ability to monitor progress.

I am satisfied that the Authority is discharging its duties under the Local Government (Wales) Measure 2009, and that the Authority is likely to comply with its requirements during this financial year

I have reached this conclusion because my audit and assessment work, to date, found that:

- uncertainty about funding meant that the chief executive was not able to move forward with his improvement agenda quite as quickly as had been hoped, but the changes he has introduced and the better-than-expected financial settlement, put the Authority on a sound footing for delivering further improvements;
- improvements to the Authority's staff appraisal system and the introduction of outcome plans linked to strategic outcomes strengthen the Authority's performance management arrangements; and
- changes to the Authority's committee structure, together with its active involvement in a Welsh Government funded Scrutiny Project, have real potential for providing a more focused and challenging overview and scrutiny of performance.

Progress on the areas for improvement identified in the 2010 assessment

The Preliminary Corporate Assessment, published in July 2010 said that 'the Authority has worked steadily to resolve weaknesses; shows some strengths in the way it works; and while its arrangements still fall short in some respects, new leadership provides an opportunity for their improvement'. The report identified a number of areas for improvement and also noted some areas where we would undertake further work. Progress on these matters is summarised below and described in more detail in Appendix 1:

- Encouraging progress has been made in reviewing, updating and adopting new policies, especially those linked to its new people management strategy and the Authority's approach to the performance management of its staff. However, other strategies and policies have still not been updated. A mapping exercise, currently underway, will help the Authority and its staff be clear about how these policies and strategies fit together, which gaps remain and which are due for review.
- Links between the Authority's medium-term financial planning and its improvement objectives and priorities are now much more evident. However the challenge is for the Authority to deliver both its own and the Welsh Government's priorities within its overall financial strategy.
- Although some missing baseline data and targets will limit the Authority's ability to manage performance, the Authority is already addressing these issues and its increased focus on collecting more useful data will prove increasingly useful in the longer term.

Further information about our findings in some of these areas is provided separately in interim updates where appropriate.

Emerging issues

Last year a number of common areas for further improvement emerged from my improvement assessments across Wales. Findings about the Authority's progress in some of these areas, together with any other emerging issues identified, are summarised below and more detail has been provided separately in interim updates where appropriate.

Significant developments in the Authority's approach to medium-term financial planning have led to Authority-wide ownership of the financial position but setting a detailed medium-term financial strategy that is linked clearly to both the Authority's and the Welsh Government's priorities, is challenging

There is a clear approach to setting priorities through a series of member workshops. The workshop in December 2010 discussed and agreed budget and medium-term financial assumptions and predictions. Members and officers have developed a clearer understanding of the financial position, through the workshops and the budget setting and monitoring framework which is in place.

The budget planning process has confirmed a Medium Term Financial Plan (MTFP) for the next three years. This plan includes predictions on funding levels and takes into account the efficiency savings previously identified. The final settlement for 2011-12 was not as severe as initial projections and the Authority, in building up its three-year financial budget, plans to maintain spending within predicted income with only a small reduction in its general reserves. In overall terms, approximately 60 per cent of the budget is staff costs, and the re-allocation of roles of existing staff is the main way of responding to changes in priorities. There is some evidence of this, for example the planned focus on enforcement during 2011-12.

While there is scope to determine local priorities and improvement areas, and these have been set in place and agreed for 2011-12, the Authority also needs to comply with the Welsh Government's annual Strategic Grant Letter. This letter sets out a range of priorities for each financial year, determined in discussion with the Authority, and against which the Authority is required to report progress. This annual process does present the Authority with some challenges in matching all its priorities and improvement areas with its medium-term financial strategy.

Although the Authority's personnel service is hampered by the absence of an integrated information and reporting system, its updated people strategy and recently revised workforce plan form a useful tool for ensuring that its workforce can be better placed to deliver its priorities

Towards the end of 2010 the Authority adopted a new 15-month People Strategy. This timescale was deliberately chosen because the Authority's new strategic outcomes had not yet been agreed. The 15-month strategy focuses on the development of the personnel service and on laying the foundation for staffing changes and building resilience and adaptability. These will be important building blocks for the Authority as it moves into the uncertain future that faces all public services. The existing interim strategy also allows an opportunity to fully develop a new strategy that can focus more clearly on the Authority's longer-term priorities.

Travel allowances, sabbaticals, working hours and temporary contracts are all examples of workforce issues that have recently been reviewed. A voluntary redundancy scheme has also been successfully implemented. The Authority has produced a workforce plan that analyses data about the current workforce and sets out resulting risks and identifies mitigating actions. Taken together, these represent the first stage in a process that can try to best align its workforce to the needs and priorities of the organisation, especially in the medium to long term.

However, the personnel service's information management system still relies on the manual recording and analysis of data, which is very time consuming, especially when the head of personnel only has one member of staff to support her. The Authority is currently exploring options for sourcing a new information management system.

Changes to the Authority's committee structure, together with its active involvement in a Welsh Government funded Scrutiny Project, have real potential for providing a more focused and challenging overview and scrutiny of performance

In the past, all 18 of the Authority's members have also been members of its Performance Review Committee (PRC). This means that the full Authority, when reviewing the work of PRC, is essentially reviewing its own work. With only one PRC, the breadth of work that every member is required to scrutinise is also very wide. This situation also runs the risk of members not being able to gain sufficient understanding of particular areas of work and of some members not feeling the need to be fully engaged in the agenda items being considered.

A review by the Authority of its committee structure has led to the replacement of PRC by three new review committees, each focusing on a different aspect of the Authority's work. With six members on each of these new committees and the ability to meet more frequently than the PRC did in the past, this new approach addresses the weaknesses and risks referred to above and has significant potential for improving members' ability to scrutinise and review performance.

As I highlighted in last year's Preliminary Corporate Assessment report, the Authority, as with other national park authorities in Wales, was established in such a way that effective internal scrutiny poses a real problem; something recognised by the Welsh Government guidance on the Measure. The Authority, looking to improve how scrutiny can be delivered within national park authorities, successfully made a joint bid to the Welsh Government's Scrutiny Fund. The resulting Scrutiny Project has been running since the beginning of this year and will continue over the next year, providing development opportunities for members and exploring methodologies for improving scrutiny.

Improvements to the Authority's staff appraisal system and the introduction of outcome plans linked to strategic outcomes strengthen the Authority's performance management arrangements

The Authority's performance appraisal system has also undergone a review and is now much more clearly linked to its strategic outcomes. The Authority recognises that it has not benefited from a culture of effective performance appraisal in the past and, to tie in with the introduction of the new performance appraisal system, it has engaged the services of Pembrokeshire College to support staff undertaking appraisals. It is also refreshing to note that the objectives set for the chief executive under this new system have been shared with staff.

Further work is being carried out to ensure a clear line of accountability from the targets and outcomes identified in the Corporate Strategy to the Authority's departmental plans and to individual targets. This is done by the introduction of an outcome plan, in which responsibility for each strategic outcome is allocated to a member of the Authority's senior management team, key tasks are identified (together with target dates), and reporting requirements relating to measures of success are set out. These outcome plans will be incorporated into the Ffynnon performance management software system.

However, although there are clear links to the Authority's strategic outcomes in each of these elements of its performance management arrangements, these links are far less explicit for the Authority's improvement objectives under the Measure.

Further proposals for improvement

One new proposal for improvement is being suggested in this letter and is set out below.

Ensure that the Authority's improvement objectives are subject to the same, or similar, performance management arrangements as apply to the Authority's strategic outcomes by, for example, ensuring that:

- the Authority's Corporate Strategy makes it clear which of the measures of success, actions and performance indicators that are linked to its strategic outcomes are also linked to its improvement objectives;
- the new outcome plans also cover the Authority's improvement objectives; and
- the performance appraisal forms refer to the Authority's improvement objectives, as well as its strategic outcomes.

We will continue to monitor and report on the progress made by the Authority in implementing the proposals set out in my last Annual Improvement Report.

Updates to the work plan and timetable

My Improvement Assessment Lead will keep the Authority informed of the detailed arrangements for the delivery of the Annual Improvement Report later in the year. I will be asking my Improvement Assessment Lead to consider the reliance that we can place upon the self-assessment processes (including the Annual Governance Statement and the Annual Performance Report). I will comment on this approach in my Annual Improvement Report.

I am grateful to the Authority for the way in which it has helped to facilitate our work and hope to see even more effective and efficient arrangements developing over time. I remain committed to providing appropriate levels of public assurance while supporting you in mitigating the inevitable risks to services and accountability that stem from reducing resources and consequential change.

Yours sincerely



HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Cllr J A Brinsden, Chair Pembrokeshire Coast National Park Authority

Carl Sargeant, Minister for Local Government and Communities

John Griffiths, Minister for Environment and Sustainable Development

John Roberts, Wales Audit Office Improvement Assessment Lead

Alan Morris, Wales Audit Office Group Director

Appendix 1

Proposals for improvement	Progress
<p>1. Without delay, ensure all the Authority's policies and strategies are up-to-date, well-coordinated, and collectively help to support delivery of the Authority's priorities.</p>	<ul style="list-style-type: none"> • a new People Strategy has been adopted; • a number of policies and procedures have either been introduced or updated; • policies and procedures adopted or reviewed before the Authority's new strategic outcomes were agreed are being updated to reflect the Authority's new Corporate Strategy; and • an exercise to map existing policies and procedures is underway.
<p>2. Ensure medium-term financial planning is closely linked to, and supports delivery of, the Authority's priorities.</p>	<ul style="list-style-type: none"> • Significant developments in medium-term financial planning show Authority-wide ownership of the financial position. • There is a clear approach to setting priorities and improvement objectives through a series of member workshops. The workshop in December 2010 discussed and agreed budget and medium-term financial assumptions and predictions. • A MTFP has been developed to cover the period from 2011-12 to 2013-14. The MTFP includes predictions on funding levels and takes into account efficiency savings previously identified. • Setting a detailed medium-term financial strategy, clearly linked to both the Authority's and the Welsh Government's priorities and improvement objectives is challenging.

Proposals for improvement	Progress
<p>3. Use data more effectively to manage performance, particularly ensuring a greater focus on outcomes, rather than actions, and, wherever possible, using:</p> <ul style="list-style-type: none"> • baseline data from which to measure progress; • targets that set out what is to be achieved; • assessments of the difference that completed actions have made; • assessments of the impact of failing to complete a planned action; • data that focuses on the Authority's corporate objectives; and • comparison data with other similar organisations. 	<ul style="list-style-type: none"> • the Authority's new Corporate Strategy focuses significantly more on outcomes and incorporates measures of success that are more meaningful than those used in the past; • examples of data now being collected include: <ul style="list-style-type: none"> - visitor numbers and spend; - energy consumption on all sites; - video conference usage; and - footpath usage and quality. • although data to be collected now relate more clearly to the Authority's strategic outcomes, the links to the Authority's improvement objectives are less explicit; • the introduction of new measures of success means that baseline data will initially be missing in many areas; • where baseline data is missing, it has not been possible for the Authority to set targets; • increased sharing of data with other national park authorities in Wales through the Ffynnon performance management and information software facility; and • a new committee structure has the potential to focus much more clearly and successfully on relevant issues, making the scrutiny more effective.