Commission on Public Service Governance and Delivery

Full Report

January 2014



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Foreword

In April 2013 the First Minister for Wales established the Commission on Public Service Governance and Delivery. We were tasked with examining all aspects of governance and delivery in the devolved public sector in Wales. Our report is the culmination of eight months of painstaking work, and I believe it does justice to the broad and fundamental remit which the First Minister gave us. I would like to thank my fellow Commissioners and our secretariat for their time and effort, and the very many citizens and public servants who took time to give us detailed, thoughtful and very helpful evidence.

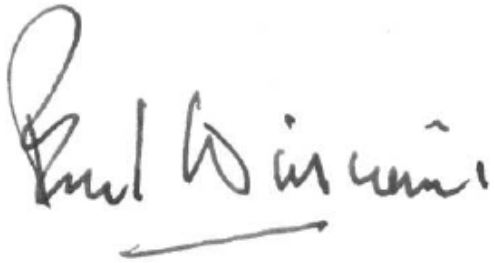
This report examines all aspects of public service provision in Wales under five themes – complexity; scale and capability; governance, scrutiny and delivery; leadership, culture and values; and performance and performance management. We are very clear that public services in Wales face severe and prolonged challenges. The effects of recession and austerity on public-sector budgets will continue to be felt for many years. At the same time, our population is growing, becoming older, and public expectations on the providers of public services are higher than ever before. This creates severe pressures – demand for public services is growing while resources to provide them are falling.

Public services simply cannot cope with these pressures in their present form and the way in which they operate. That is not anyone's fault. In particular, it does not reflect criticism on our public servants providing valuable public services on the front-line. As other governments around the world have recognised, radical change is needed for public services to survive in a viable and sustainable form and to become the kind of public service that is fit for the future.

The problems we have found are inherent in the systems, processes and culture of the public sector as it stands. They are interdependent and mutually reinforcing – and therefore they demand equally interlinked solutions. So we are very clear that our recommendations must be implemented as a whole. We urge the Welsh Government, the National Assembly for Wales and the wider public sector to respond accordingly: to embrace the need for a programme of change and to make it happen as quickly and effectively as possible. There must be no picking and choosing among our recommendations, no complacency and no allocation of blame. We recommend a three to five year programme of change to implement our recommendations with clear projects, milestones and a reporting regime to ensure progress is made.

We accept that change will not be easy. But the alternative is far worse. In establishing us, the First Minister made clear that the status quo was not an option. We have found extensive and compelling evidence that that is indeed the case. Without the changes we propose we believe that Wales would see a progressive failure of services on which our citizens and communities rely. It is far better to invest in reform now, before it is too late, and to create a public sector and services of which we can all be proud, rather than face prolonged and ultimately unsustainable cuts to frontline jobs and services.

It is on these terms that we commend our report to the Welsh Government, the Assembly, public services and the people of Wales.



Sir Paul Williams
Chair
Commission on Public Service Governance and Delivery

Chapter 1: Introduction, Remit, Approach and Context

Introduction and remit

1.1 The First Minister established this Commission on 30 April 2013 and we met for the first time on 6 May 2013. Our remit was wide ranging, covering all devolved public services in Wales. It is set out in full at Annex B but, in the words of the First Minister, it was:

an opportunity for those who are involved in delivering services, those who are politically accountable for them and users of them to examine how public services are governed: that is, held accountable for their performance and delivered most effectively to the public. [1]

1.2 Our aims were therefore to:

- *"gather and provide an objective, authoritative assessment of the extent to which current arrangements for public service governance and delivery in Wales meet the needs and aspirations of people today and provide a sustainable basis for the future;*
- *propose an optimal model of public service governance and delivery for Wales, that will ensure that efficient, effective and accessible services are provided to the citizen; and support continuous improvement in those services against the background of financial and demand pressures;*
- *and, as part of this, to engage with those who provide and use public services."* [2]

1.3 There was only one exception to the breadth of our remit. The configuration of local health boards was relatively new so we were asked not to consider that. However, the role of the NHS, and its performance and interaction with other services, was very much within scope and our recommendations apply to this key area of public services as they do to others. We were encouraged to reflect the contribution made to integrated delivery by non-devolved services, and to take into account the current considerations of the Silk Commission, as well as the recent review of the 'Future Delivery of Education Services in Wales' by Robert Hill.[3] We were also keenly conscious that we should be alert to the importance of the language and culture of Wales.

[1] Written Statement 18 April 2013: http://wales.gov.uk/about/cabinet/cabinetstatements/2013/publicservicegovernance/?lang=en

[2] Remit for the Commission: http://wales.gov.uk/topics/improvingservices/public-service-governance-and-delivery/remit/?lang=en

[3] Hill, R 2013. *The Future Delivery of Education Services in Wales*. Welsh Government.

1.4 The First Minister's remit to us was set firmly within the Welsh context, that of established devolved Government and an approach to public service delivery that has not adopted the marketisation of services. We were also aware of the context of continuing and increasing financial pressures, demographic changes, rising demand and expectations from the public, and the costs and opportunities of new technology and new services. This was reinforced by several authoritative commentators and organisations, such as Wales Public Services 2025, the Institute for Fiscal Studies (IFS), Carnegie, Public Policy Institute of Wales, Bevan Commission, the Nuffield Trust and Nesta during the period of our work.

1.5 From the outset, we understood that our remit required consideration of the whole system of public services in Wales. We need to consider the ways in which both the delivery and governance of public services could meet the challenges of the future and enable public services to improve their delivery for the people of Wales. We aspired to set the direction for the long term including some enduring principles that would transform public services in Wales. One key conclusion is that all parts of the public sector in Wales, and all levels of government, need to recognise that there is an opportunity and an urgent need to transform the vision and model of public services in Wales.

1.6 This report is focussed on the challenges that are faced by public services and the current performance of the system of public services as a whole, and any criticism that we make should be taken in this context. One point that was clear from the evidence we received was that public services could not exist without the dedicated public service workforce that we have in Wales. We were struck by the time given by many elected members at all levels of government, the care for local people and communities by public service providers on the 'front line' and the passion for helping people improve their lives across the different sectors of public services. We need to build on these values and unblock the potential that exists.

1.7 The rest of this chapter considers first our approach to our task and then the context for public services in Wales in which it was set. In summary, it is our view that there needs to be a step-change in public service governance and delivery. The time has passed for minor and incremental changes; these will not address the considerable challenges that face us. It has been said that the period of public sector austerity 'is not a cold winter but an ice age'. The pressures faced by public services are unprecedented and are likely to continue for the foreseeable future, the response to improve their delivery in the face of these major challenges requires a step-change in behaviour, performance and approach. Our collective challenge is to move to models of governance and delivery that measure performance against 'best in class' not 'best in Wales'; tackle the longer term challenges; engage and respond to citizens to

prevent and manage demand; and provide the flexible and seamless services that meet the diverse needs in Wales today and for the future.

Approach: securing the evidence and engagement

1.8 Our approach included detailed consideration of both quantitative and qualitative evidence. We considered in detail the data, research and analysis that had been published on the variety of topics in our remit, looking at perspectives from Wales, the UK and internationally. It was also clear from the outset that we could not hope to achieve a sound understanding and reach credible and meaningful proposals without an open dialogue with the users and providers of public services in Wales. This aim clearly set a challenge for us to engage as widely as we could in the time available, with the following objectives:

- To inform the public that the Commission had been established, and what it aimed to achieve.
- To ensure that the work of the Commission was founded on evidence, and on the experience and understanding of users and providers of public services in Wales.

1.9 At the time of our work there was already detailed and timely quantitative evidence from the National Survey of Wales about public perceptions of public services. We decided, therefore, that a questionnaire which repeated the questions from this survey would not add value to our work. Instead our written call for views provided an opportunity for members of the public to have their say and to allow the Commission to engage with people's experiences of public services.

1.10 We undertook several forms of engagement concurrently:

- A deliberately open call for written evidence;
- An intensive programme of formal Commission meetings taking oral 'evidence';
- Commissioning our own research reviews through the Public Policy Institute, and an active search for and take up of research, performance information and reviews by others from as diverse a range of sources as we could secure; and
- A series of public drop-in meetings around Wales.

Written Evidence

1.11 We issued two separate written calls for evidence, one aimed at service providers and one aimed at service users. These are included in full at Annexes C and D. These calls for evidence were directly issued to over 1,000 organisations and individuals, and were made available online. 133 responses were received to the call for evidence, as set out in Annex E.

1.12 In addition to the public call for evidence, we requested or were offered specific evidence from particular organisations through our service provider call for evidence or in our oral evidence sessions. This was an opportunity to ask more detailed and specific questions than were included in the public consultation, for example in relation to organisations' specific governance structures. Except where we were specifically asked not to, all our evidence will be published on the Welsh Government website.

Oral evidence

1.13 In order to reach out to as many stakeholders as possible, to provide an opportunity for people to speak to the Commission face-to-face, and to collect a broad range of perspectives from across Wales, we held a series of oral evidence sessions. In total we carried out 120 hours of oral evidence-taking which gave us a real insight into the views of public services users and providers across Wales.

1.14 Seven informal round-table public meetings were held in accessible locations across the country. Discussions focused on the views of those attending, broadly around the questions addressed in the written call for evidence. Issues raised were captured, logged and analysed alongside the written responses. We also attended a number of other meetings across Wales. These were existing meetings arranged by others that we were able to attend to hear the views of particular groups.

1.15 We also took oral evidence to consider specific issues in more detail with particular stakeholders. The oral evidence sessions addressed similar questions to those identified in the call for evidence but allowed for more detailed discussion on the issues. Annex E sets out the individuals and organisations who gave their time for this.

1.16 **We want to pay tribute to those who generously gave their time to assist us with their evidence and views** across our programme of engagement and evidence taking. Without the active, serious and thoughtful engagement, written and oral, of very many people across Wales, our work could not have been completed.

Approach: defining our terms

1.17 Box 1 gives some key definitions of concepts that were central to our work. These concepts are expanded throughout our report. Our focus throughout our work was:

- What arrangements, for governance, accountability, delivery and scrutiny, can deliver a step change in the performance of and continuous improvement in our public services?
- What other tools can be used to ensure responsive as well as efficient, effective and accessible services , when the dispersed populations of Wales and little

opportunity for alternative provision means that consumer choice and the market is not a strong driver for improvement?

Approach: structuring our thinking

1.18 We recognised early in our timetable that the breadth and depth of our remit required a structured and thematic approach to inform our thinking and enable us to engage with others. Our remit was very broad, covering the whole of the public sector, and that led us to consider several dimensions or elements of how all organisations in the public sector operate and the challenges that they face. This led us to identify six interrelated themes around which we could structure our considerations: complexity; scale and capability; governance, scrutiny and delivery; leadership, culture and values; performance and performance management; and the role of Welsh Government. We recognised that some issues, including Welsh language, heritage, cross-border services and the public sector workforce, would cut across these themes, but felt that this structure would allow us to explore the issues and simplify our engagement approach. We found during our evidence gathering that this structure proved a useful way to approach the issues and to form recommendations.

1.19 The **complexity** of the public service in Wales is evident from the range of responsibilities and number of organisations within the scope of our remit, the inter-relationships between them and the variation in their size and geographical 'footprint'. It was also clear that there were multiple overlapping and layered partnerships with unclear governance, which often added little value and blurred lines of accountability. We sought to capture both the extent of that and the impact on delivery.

1.20 The variation in **scale** of public sector organisations was also apparent. We considered the effect this had on resilience, **capability** to deliver, to respond and innovate effectively and efficiently and their governance and capacity to manage risk. We considered how far this complexity and the scale of organisations undermined effective public services now – and in the face of the challenges ahead.

BOX 1: Key Definitions

Governance is

- *"the leadership, direction and control of organisations."* As defined by the Independent Commission on Good Governance in Public Services *"the action, manner, or fact of governing; government" and "the exercise of authority through formal and informal traditions and institutions for the common good*." As defined by the World Bank, this interpretation reflects the breadth of our remit and the role of informal or non statutory arrangements.

Accountability

- *"is an obligation for a person or an organization to justify actions to another body in terms of some authorization for that activity given by that body."*
- *"involves being obliged to explain one's actions, to justify what one does."*
- *"is an obligation to present an account of and answer for the execution of responsibilities to those who entrusted those responsibilities."*

Accountability arrangements or an accountability framework should be defined by governance structures as part of good governance arrangements. It is included in the Nolan principles: "Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office." Scrutiny is thus seen as one of the key mechanisms for accountability.

Scrutiny: Public scrutiny is a particular and essential form of accountability in the public sector. It is most often used in reference to the formal local authority scrutiny function or scrutiny by the National Assembly for Wales or the UK Parliament but our treatment here is intended to cover a wider interpretation. Scrutiny can be continual or ad hoc, and either structured around formal processes or a more fluid dialogue. Scrutiny includes citizen scrutiny.

Coterminosity: the extent to which the boundaries of different administrative areas align with one another. For instance, the boundaries of North Wales Police and Betsi Cadwaladr Health Board are exactly coterminous; both organisations serve exactly the same area. The six local authorities in North Wales are, taken together, also coterminous with both the police and the health board, although each local authority only serves part of the area.

Leaders/Leadership: those individuals who lead particular areas of public services. Leadership can operate at all levels within organisations. This can involve political leadership as well as leadership by employees of public service organisations. The term 'leader' is usually used to refer to any individual leading an area of public service rather than the official role of a 'Leader' of a local authority, where the latter is intended we are specific. We refer to political, executive and professional leaders, political leaders are those elected into their positions (i.e. local authority leaders), executive are those appointed into their positions (i.e. chief executives) and professional are those with particular specialisms (i.e. doctors).

1.21 **Governance, scrutiny and delivery** were inherent in our remit. We sought to understand how existing arrangements across public services drive and deliver improvement in services and whether they could do so in the face of the challenges to come. We were interested in how well organisations responded to pressure for change; how effective their internal governance and performance management arrangements, public engagement, audit and formal scrutiny arrangements were, and whether innovative means of delivery and operational good practice were adopted. We were mindful here of recent and current failures of governance across a number of fields (including health and local government) and in various countries.

1.22 The importance of **leadership, culture and values** was equally apparent; we heard that "it is the job of leaders to create culture". The importance of culture and leadership in high performing organisations is well researched and recognised. We were interested here in exploring whether leadership, culture and values within the Welsh public sector were aligned with current and future challenges and whether they were conducive to high performance, flexibility and responsiveness. Given this, we wanted to understand how central leadership, culture and values are to the performance of public services and to continuous improvement. We considered whether the public sector in Wales was designed to recruit the best, at all levels, and to ensure that they remained at the top of their game.

1.23 In considering **performance** we first wanted to understand both the current performance of public services and how performance could be improved by a more appropriate use of strategic outcomes, operational targets and better **performance management** and the use of transparent data. A key issue for us was therefore how far performance information and data informed scrutiny, as well as underpinning good management and accountability. Performance Information also has a key role in improving public confidence about the value of local services and citizen engagement.

1.24 Our work embraced the whole system of public services in Wales and how far it had responded appropriately to the changing and maturing devolution settlement for Wales. The **Welsh Government** has a vital role to play in leading and shaping this system, and in setting out clearly what needs to be delivered. We therefore also wanted to consider the role of Welsh Government, how that impacts on other parts of the system, and whether and how it needs to change in the years ahead.

1.25 The six key issues that we identified proved invaluable to the structure of our work and were supported by many of our respondents. However, we recognised early on that they were interlinked. As this report will describe, leadership, cultural change and values will be as important as any conclusions we have reached on structural change, or the functions, or funding and governance arrangements of any public service organisations. Our report has a section on each of the first five of our themes.

We have included our findings about the role of the Welsh Government in these sections; the Welsh Government does not stand in isolation from the rest of the public sector. We recognise that the road to improvement will take time and will need a combination of actions across each of these dimensions which will need to be regularly monitored and reviewed.

1.26 In Chapter 7 we highlight that our recommendations should be implemented through a coordinated programme, lasting three to five years. If they are to deliver the step-change in public service governance and delivery that Wales needs our recommendations must be pursued as an overall package, rather than as individual and separate objectives. The work needs to start as soon as possible through a programme of change with agreed milestones that are regularly monitored to ensure progress is made. **We recommend that the Welsh Government must initiate, lead and manage a comprehensive programme of change to address the findings of our report. This must begin immediately and take 3 to 5 years to complete; it must also be carried out in close collaboration with organisations from across public services in Wales.**

Approach: The shape of public services in Wales

1.27 It is important to draw a distinction between the 'public sector' and 'public services'. The public sector can be seen to be the body of staff directly employed by publicly funded bodies. Public services, on the other hand, are services delivered for the benefit of the public; this can include services delivered through the third sector, social enterprise or that are contracted out. It would be possible to spend considerable time on the distinction between public sector and public services. Those differences are real and as we explain, in defining our approach we took a specific definition of public sector in order to do justice to the breadth of our remit. But we recognised that many public services are delivered through private and third sector bodies and where our recommendations and observations are relevant we would hope and expect bodies in the private or third sector to recognise this and consider and respond accordingly.

1.28 There is no clear and agreed definition, however, of exactly what the Welsh public sector is, or which organisations it includes. While our remit was clear in charging us with examining the whole of the sector that falls within devolved competence, it did not set out the organisations included. Indeed, there appears to be no single or official list of Welsh public bodies anywhere. That alone demonstrates that the sector has evolved and that its structure lacks coherence.

1.29 We have therefore attempted ourselves to identify all public bodies in Wales – and have published our list online. We are aware that some organisations on our list are

not formally treated as public bodies for certain purposes. Housing associations, for instance, are deemed to be third sector bodies for funding and accounting purposes; and several of the organisations we list are either registered companies or charities, with governance and funding arrangements to match. We do not intend to contradict or challenge those positions. Rather, we aim to set out those organisations which are involved in the delivery of the major public services. Our list should not be taken as definitive for any other purpose.

1.30 We have used numerous sources of information in compiling this table: for instance, bodies that receive a remit letter from the Welsh Government, bodies subject to audit by the Wales Audit Office or investigation by the Public Services Ombudsman, bodies whose members are disqualified from being Assembly Members, and bodies that are required to lay accounts before the Assembly. But we cannot guarantee that it is fully comprehensive; 935 is a conservative best estimate. The bulk of these 935 are town and community councils (total 736) with a further 21 non-devolved public organisations with a separate presence in Wales. This means that there is one public body for approximately every 3,200 people in Wales. By comparison: there are some 1,345 public bodies in Scotland, or one for every 3,900 people.

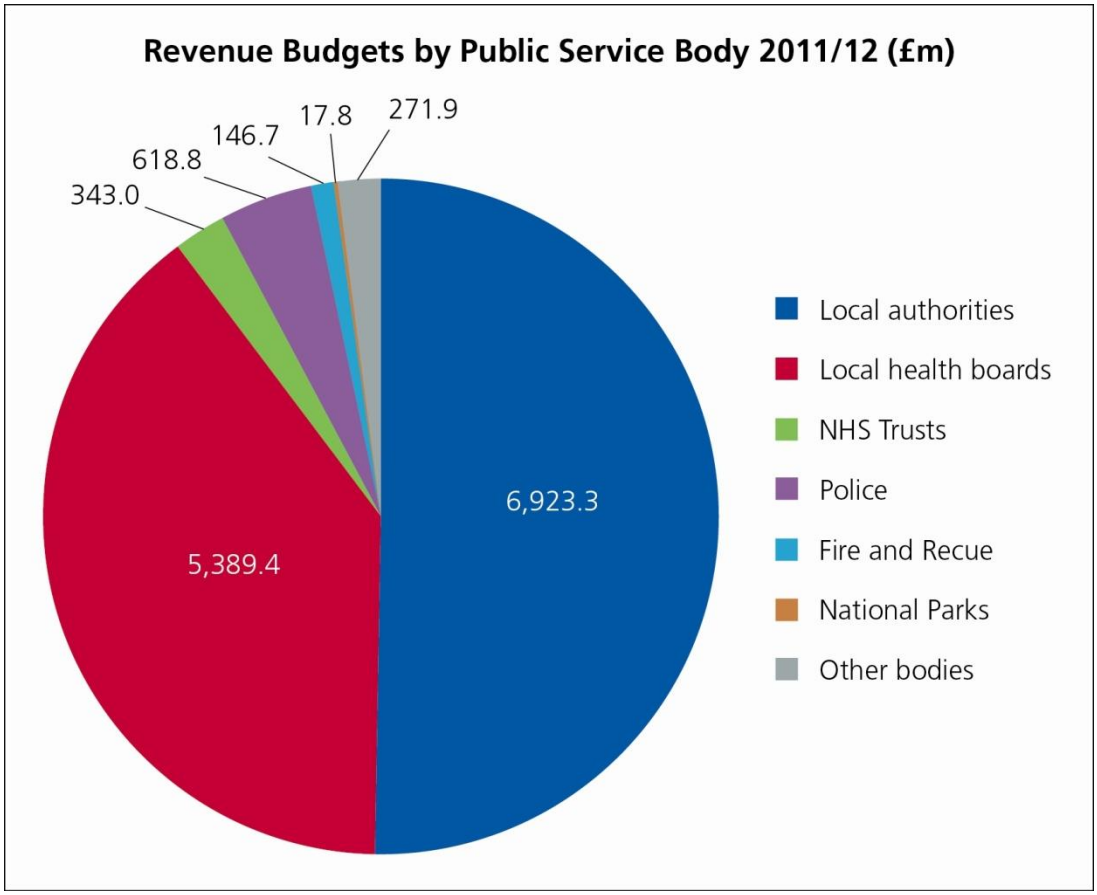
1.31 The Scottish Government maintains a single register of all devolved public bodies in Scotland, including details of their funding, staff, and chief executive pay.[4] This allows Scottish citizens and stakeholders to clearly understand the extent of the public sector, and allows the Government to manage that extent more effectively. We commend this simple initiative and believe the Welsh Government should create something similar. **We therefore recommend that the Welsh Government create and maintain a register of devolved public bodies in Wales.** It should use the list to help ensure that the devolved public sector as a whole is no larger or more complex than it needs to be, and that it changes, including through the on-going process of devolution, in a managed and coherent way. It should be possible for this register to be available within one year of the publication of this report.

1.32 Our remit and approach was clear – this was a system wide review not one limited to single sectors or organisations. Nevertheless, within the 935 public sector bodies we identified those functions and organisations that had the most day to day impact on the people of Wales and where change would have the greatest impact in addressing the challenges faced by public services. Figure 1a shows the proportion of an approximate £14 billion of (revenue) expenditure on public services in Wales spent by the different organisations that provide services. This chart does not represent the whole spend on public services (for example it does not include town and community councils), and it includes bodies with different sources of funding (for example the

[4] http://www.scotland.gov.uk/Topics/Government/public-bodies/about/Bodies

police as a non-devolved service); but it does indicate that local government and health are by far the most significant public service functions.

Figure 1a



Context: The challenges facing public services in Wales

1.33 During the period of our work, a number of respected academic and other organisations and commentators reported on the challenges facing the public sector in Wales. The Wales Public Services 2025 Project and the Institute for Fiscal Studies in particular published research that indicated the scale of the challenges.[5] Fundamentally, there are a few critical, underlying and long-term problems which the public sector cannot avoid:

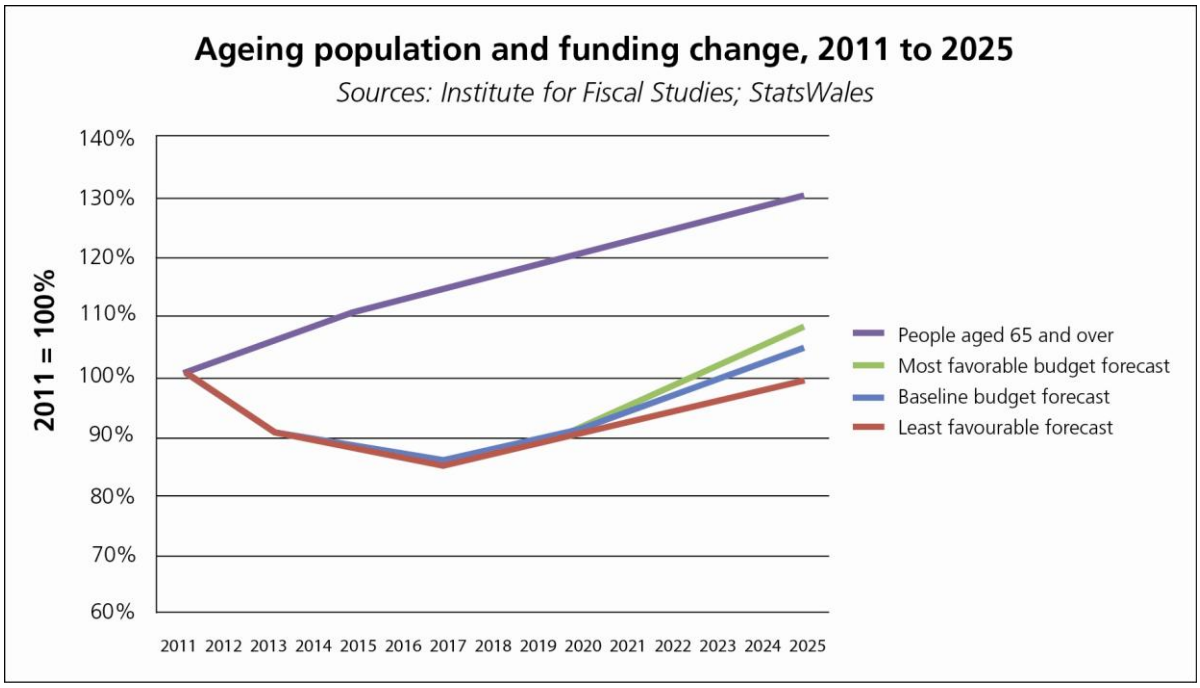
- **Austerity**. Public spending in Wales – as in the rest of the UK – will decline in real terms for most of the next decade, at least;
- **Demographic change**. The population of Wales is getting older over time. Older people typically need more and more costly public services, principally health and social care, than the population as a whole. We are also seeing an increase in the birth rate, albeit in some areas more than others; and

[5] http://www.walespublicservices2025.org.uk/papers/

- **Public expectations**: Public demand for public services is increasing and expectations of service quality are rising. People expect to live a long and healthy life, for their children's education to be of the highest quality and for the environment in which they live to be safe and excellently maintained. These expectations of world class services create their own pressure on public service providers.

1.34 Figure 1b illustrates these challenges. This shows the Institute for Fiscal Studies' (IFS) projections of the changes in the Welsh block grant (i.e. the total funds available to the Welsh Government) alongside projections of the population aged over 65, from 2011 to 2025. It shows that public funding in Wales will probably only return to its 2011 level in real terms by the early part of the next decade. During that period, the population aged 65 and over will increase by around 30% - leading to much higher demand for some of the most expensive public services. Even if the IFS's most favourable forecasts prove correct, there would still be a wide and sustained gap between demand for services and the resources available to provide them.

Figure 1b



1.35 Wales Public Services 2025 estimated the difference between the projected spending required to meet cost and demand pressures and the funding that may be available, in different circumstances. This 'funding gap' is illustrated in Figure 1c, representing both the base case and worst case scenarios. Wales 2025 explain that *in both scenarios the funding gap continues to rise, despite a return to increases in the available funding. This is because the projected cost and demand pressures outstrip the projected increase in spending. In the base case the funding gap reaches around £2.1 billion in 2017-18. Nevertheless, the gap continues to increase to £2.6 billion by*

2024-25. In our 'worst case' scenario, the gap reaches £3.4 billion in 2019-20, and continues to rise, over a period of budget increases, to £4.6 billion by 2024-25.
We expand on some of these pressures below.

1.36 A further dimension of this is the fact that the major personal services – education, health and social services – account for the great majority of public spending. They are also demand-led and typically provided as of right (and often free) to those who are entitled to them. This means the cost of such services is particularly vulnerable to demographic changes and other drivers of increased demand. It also means that, if current patterns of provision continue, funding for all other public services will be increasingly squeezed. Wales Public Services 2025 has also modelled the effects of this (figure 1d). On the most pessimistic scenario, the total funding in Wales for these services would fall to only £0.8 billion – or an 80% cut compared to 2010-11.

Figure 1c

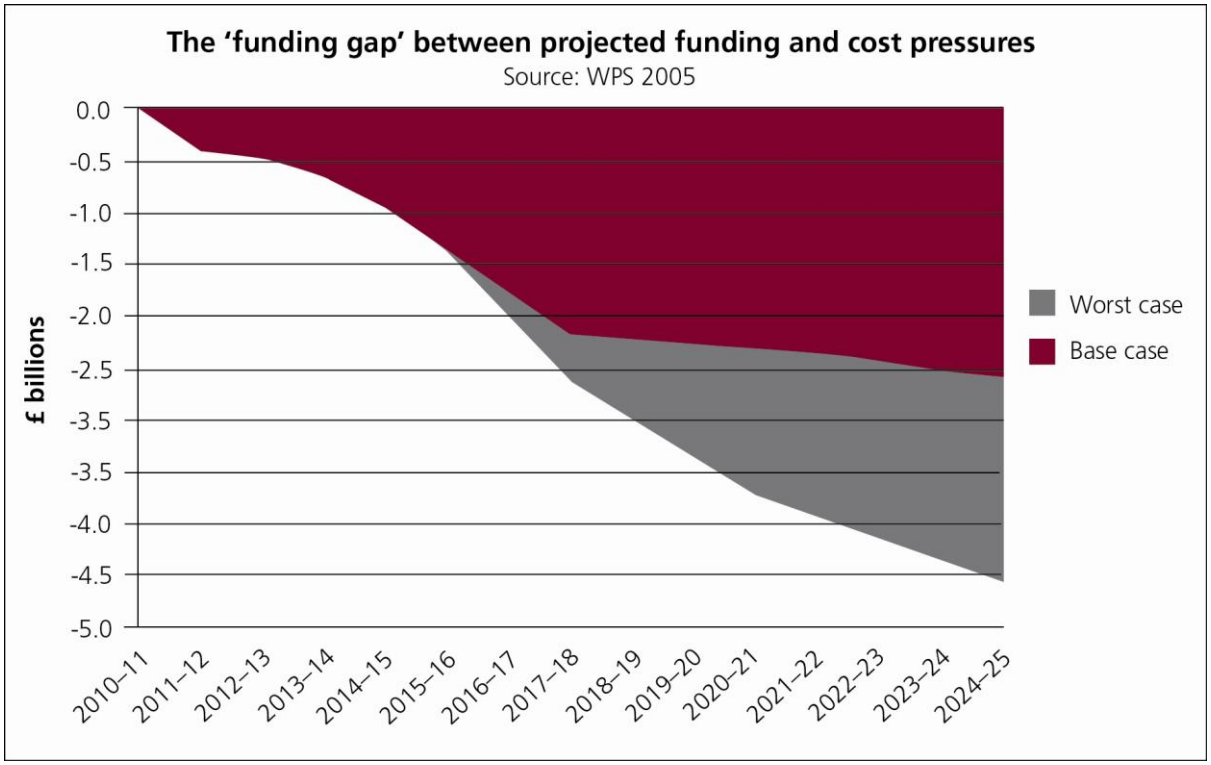
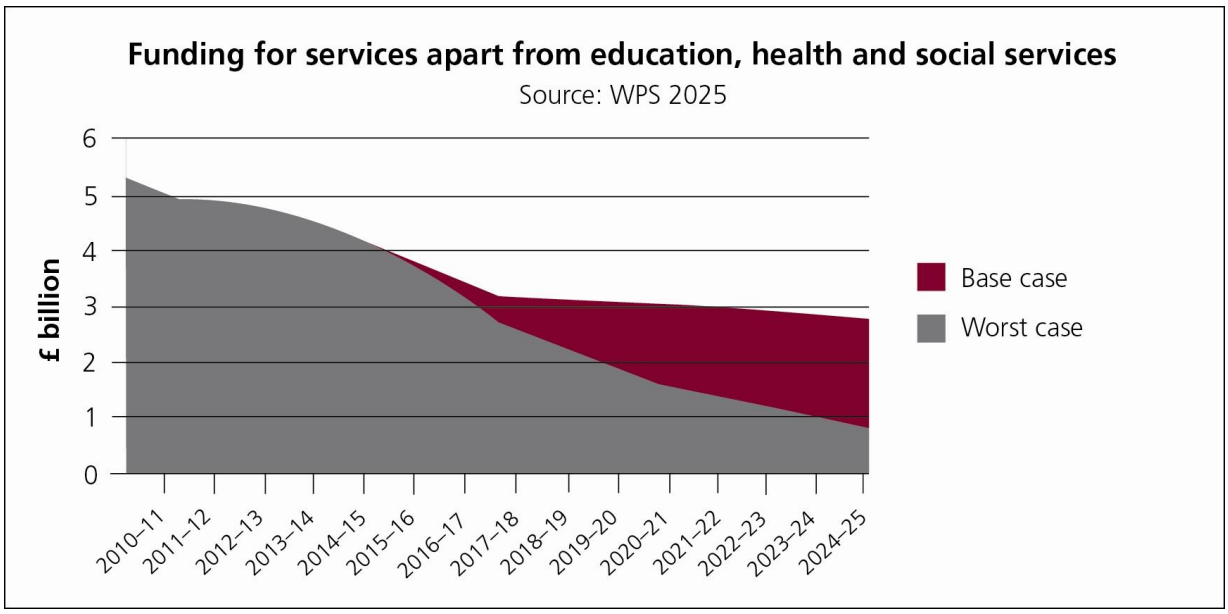


Figure 1d: Funding for services apart from education, health and social services



Outlook for public expenditure

1.37 The era of budgetary austerity is and will be a 'game changer' for public services and this pressure is unlikely to disappear for some time with the outlook for public expenditure in the United Kingdom being one of increasing scarcity. The 2007-8 global financial crisis put increased pressure on public finances across the UK. UK GDP is probably around 15% below what would have been expected, and this implies that tax revenues also lie below the pre-2008 trend by a similar order of magnitude. There is much debate about whether some of that gap will be closed as the UK economy recovers. Few argue, however, that we will come close to regaining the levels of tax revenue expected before the recession. These factors mean that budgets in the public sector have been shrinking and will likely continue to reduce in the short and medium term.

1.38 In addition to these direct consequences on budgets there are additional pressures caused by the economic downturn that relate to the demand for public services. During times of high unemployment, for example, more families will require support from a range of public services therefore adding increased pressure to already scarce financial resources.

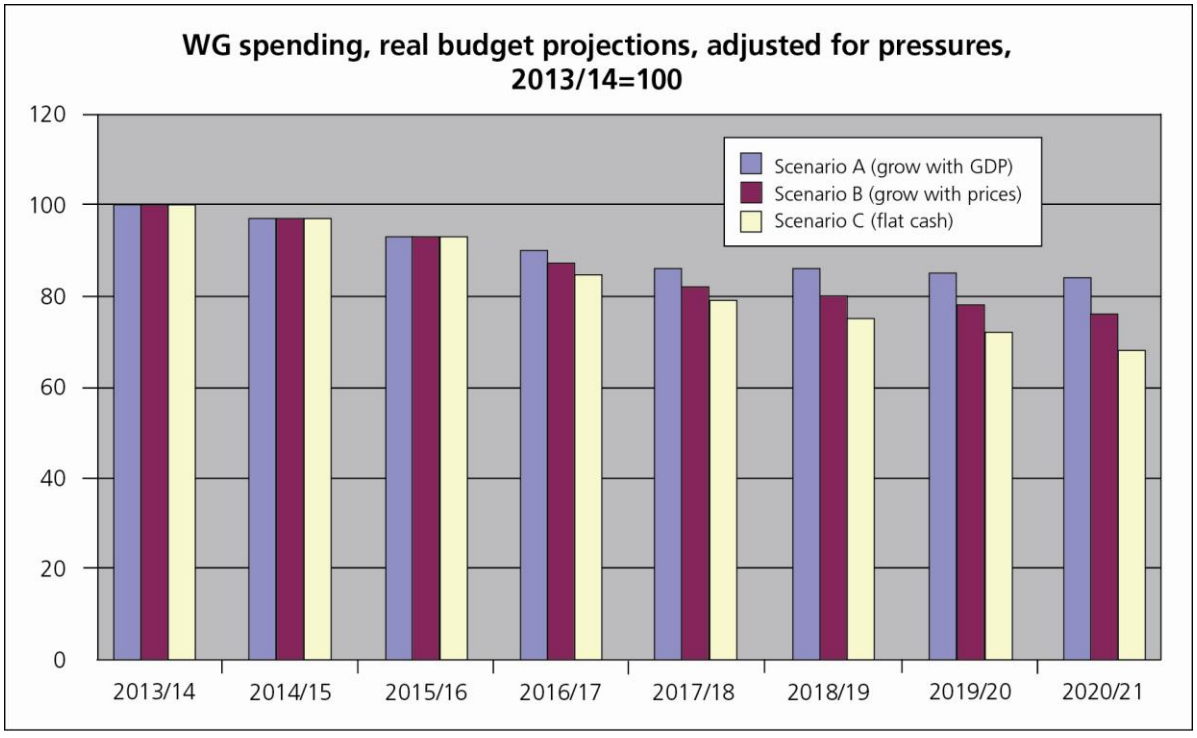
1.39 Few doubt that even without the effects of the financial crisis and recession, current economic performance, and the associated pressures on public expenditure, would be much worse than would have been predicted prior to the crisis of 2008. Drivers such as demography (as outlined below), 'cost disease' (that is that costs rise faster in the public sector due to the labour-intensive nature of the sector), expensive new treatment options in the health sector, and increased demand from a more affluent

and better informed population (in the long term) will likely lead to increasing cost pressures. The IFS has argued that, since the 1970s, the increase in public sector costs in the areas of pensions, health and care has been offset by reductions in other areas (support to industry; defence; etc.) but there may be limited scope to continue with this approach.

1.40 We set out three scenarios for the Welsh Government budget over the period to 2020-21, in Figure 1e. These projections represent a wide range of outcomes based on scenarios which depend on plausible, assumptions; but they indicate that for every 'effective pound' the Welsh Government has to spend in the current year it might have only between 70 and 85 pence by the end of the decade. And this comes on top of a real terms reduction in budgets of almost 8 per cent since 2010-11.

1.41 It is inevitable, therefore, that public services will need to find significant cost savings in the coming years.

Figure 1e[6]



[6] Assumptions: Inflation as reflected by OBR expectations for the GDP deflator; A relative price effect of 1.5% to reflect the labour intensive nature of public services and the long run tendency for wages to increase faster than the general price level; An increase in costs of 0.5 per cent per year as direct result of demographic factors: population growth and the ageing of the population; An increase in costs of 0.75% per year as a result of the growth in the prevalence of chronic health conditions, independent of ageing; Annual productivity growth of zero, in line with the overall trend for public sector productivity in the decade prior to the recession.

1.42 The pressures on the Welsh, and UK, Governments' finances are not all attributable to poor economic performance. As the IFS has set out, other long run factors which place inexorable upward pressure on public spending. In particular demographic changes will increase demand for public spending on health, care and pensions.

Demand pressure

1.43 Many commentators have highlighted that while spending is going down, demand for public services is increasing and expectations of service quality are rising. The Wales Public Services 2025 project summarises the main demand pressures:

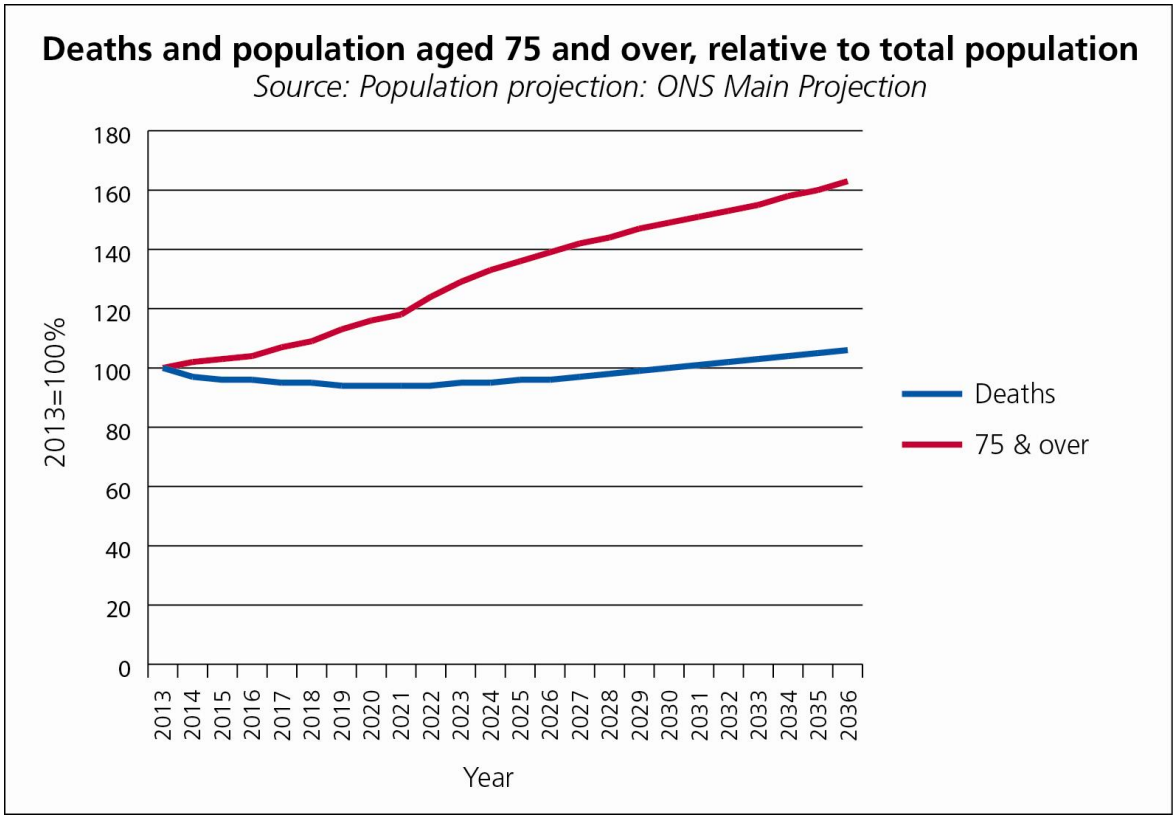
Wales has a growing population. We have had a spurt in the birth rate and people are living longer. We expect healthcare to improve so that medical advances don't just keep us alive longer, but also enable us to lead healthier lives. We want access to services at times that suit us. We expect schools to deliver better education so that our children have the best possible start in life.

1.44 Demographic change is perhaps the most significant challenge facing Wales over the medium to long term. Significant improvements in health and longevity mean that populations across the developed world are growing older.

1.45 Figure 1f shows a projection of the change over time in the number of older people in Wales and also in the number of deaths. The ageing of the population is a long run phenomenon, and has been happening for decades. As Figure 1f shows the population aged over 75 is predicted to increase by 60% from its 2013 level by 2035. This can be expected to have an impact on the demand for public services, with health and social care in particular having to cope with higher numbers of older people.

1.46 The impact of ageing is, however, uncertain. Figure 1f also shows a decline in the number of deaths and therefore the number of people within 'x' number of years before death may not increase. It is in these final years that acute healthcare costs increase significantly. Therefore, the pressure of the ageing population may not be as profound on the health sector as it will be on the care sector.

Figure 1f



1.47 In addition, in areas like health, new services and new treatments tend to add to cost pressures. Indeed, evidence from the OECD suggests that, across developed countries, this is a more significant factor in the escalation of costs in health than is ageing. The successes in health that have mitigated early ill health, the impact of disabilities, long term illness in middle years, and overall life chances also add to this pressure on the health and care sectors.

1.48 It is also the case that there is a rise in the birth rate in Wales leading to associated pressures on the education system. As is the case with the growth in the number of older people, these changes will not be uniform across Wales. Projections by the Wales Public Services 2025 project suggest that, in Cardiff, the percentage change in the number of primary aged pupils between 2012 and 2025 will be around 46%, whereas some rural areas, or former industrial communities, may see a static trend or even a small decrease.

1.49 In the round, therefore, it seems inevitable that the pressures from demographic change will continue to increase. There are of course also significant benefits from these demographic changes for communities whether arising from new growth in families and young people or the active engagement of older people living longer active and healthy lives.

1.50 In addition there is also the issue of the spatial imbalance of population distribution across the UK. Wales has the smallest percentage of its population living in cities when compared to other countries in the UK and to the different regions in England. Cities are increasingly important in regional economies and there is a disadvantage to Wales in terms of jobs, productivity and growth. This is the main driver behind the Welsh Government's City Regions initiative which is discussed later in this report. It is also the case that population changes in Wales will not occur uniformly; there will be a different picture in different areas of the country, as is discussed in Chapter 3.

1.51 Although this is only a brief high level analysis of the challenges facing the public sector in Wales, it does demonstrate the 'perfect storm' of squeezed resources and increased pressures that we are facing. If public services are to continue to meet the needs of the population, to improve their performance, and to meet increasing demands for the delivery of services, then these challenges must be recognised and addressed.

Current public service performance

1.52 The evidence that the Commission heard during the course of its work indicated that, while there are areas of good practice and examples of public services that meet and exceed the needs of local people and communities, the picture for too many of the public services in Wales is poor and patchy. Performance, when compared with UK and international benchmarks, has a long way to go to reach 'best in class'. This report outlines case studies, analysis, research and statistics which indicate how public services in Wales have performed and how they serve the citizens of Wales. Chapter 6 explores the performance of public services in more detail.

1.53 It must be noted, however, that citizen perception is significantly more positive. In the recent National Survey for Wales, 57%[7] of respondents felt their local authority was providing good quality services, which compared favourably to a similar survey conducted in Scotland.[8] When asked specific questions, citizens' perspectives did not correlate to the performance of the service, as judged by comparisons and other quantitative measures. For instance four out of the six local authorities that were in special measures were above average when parents/guardians were asked about their satisfaction with their child's secondary schools. Similarly, high levels of satisfaction are reported for Betsi Cadwalladr Health Board despite its relatively poor performance on several key measures and recent governance difficulties.

[7] The range of satisfaction varied from 42% to 66% between the different authorities.
[8] http://www.scotland.gov.uk/Topics/Statistics/16002/PublicationAnnual

Our report: a new model for public services in Wales

1.54 We have outlined in this chapter the major challenges faced by public services in Wales. This report will expand on this through a detailed diagnosis of each of our themes and specific recommendations to improve public service governance and delivery. We bring this together in an overall diagnosis and summary of our recommendations in our concluding chapter which also proposes principles for future change.

1.55 The Wales Public Services 2025 work 'Weathering the Storm' (funded by Carnegie) explored how other nations had responded to the world wide challenges. In their subsequent work[9] they summarised the key approaches required for Wales as:

- Tackling demand - reshaping services to meet growing demand more efficiently with a reduced workforce;
- Managing existing demand - through measures such as co-production, reducing waste and using user and community capacity to deliver. They noted that the evidence base here, especially on cost savings, is still inconclusive; and
- Reducing or preventing demand - through improving public health, early intervention, and integrated services in particular health and social care.

1.56 The Price Waterhouse Coopers (PWC) report 'Future of Government' (2013) also highlights this need for a step-change and notes that "Governments and public sector leaders have a key role in this shift, re-focusing their organisations on their changed environments and projecting a clear and vibrant picture for the future which energises both their internal and external stakeholders." The themes in the PWC report resonated with the Commission and with what we heard from others. The key points for us which we develop throughout the report are:

- **Resilient organisations**: organisations need to be equipped with the capabilities to manage the challenges that public services will face. Organisational size, structure and governance must enable improvement not hinder it.

- **Responsive organisations**: in the absence of a market model continuous improvement must be driven through effective performance management and improved regulation. Transparency must be improved and meaningful data be made available for politicians, managers, professionals and the public to hold organisations to account. Organisations must respond positively and proactively to areas for improvement identified by audit, inspection and regulation;

- **A culture of aspiration**: organisations must seek to improve and to aspire to the best international standards. Best practice should be consistently adopted and

[9] http://www.walespublicservices2025.org.uk/papers/

innovation fostered on the back of achievement of good performance. Organisations should move away from risk averse and blame heavy cultures which seek to mitigate failure rather than sustain success; they should actively seek to manage risk;

- **Public service leadership:** our highest level leaders in public services must be the very best; they must be equal to the challenges faced and capable of delivering new models for providing services. Leaders, managers and professionals at all levels must ensure that their organisation is well managed and achieves its objectives but they must also be able to get all components of the public service to work together well to meet the needs and expectations of citizens. They must have the skills to adapt to a rapidly changing environment and be able to lead and derive benefits from the whole system of public services through these challenging times;

- **Value led change:** values should be the glue that binds the different parts of the public service together. A consistent culture, underpinned by a consistent value set, will allow a sense of one public service to develop and is essential to Wales achieving world class services;

- **Citizen-centred services**: the needs of the citizen must be central to how services are deisgned, managed and delivered. This will involve cross-sectoral working recognising that citizens' needs do not fit within organisational silos. Public services in Wales are particularly well placed to deliver this, but it will take strong leadership;

- **New delivery models:** public services should be delivered through meaningful collaboration across sectors, organisations and boundaries, with co-production of services being a key feature in the service delivery toolbox. Public service organisations will focus on prevention and demand management with early intervention to ease demand pressures;

- **A clear vision**: clarity of vision will be key to delivering success. The vision will be defined by politicians and should set a clear strategy for Wales, be it in health, education, economic development or any other area of policy. The vision should be developed through consultation with stakeholders and should be robust enough to take hold in the long term. There should be a clear 'golden thread' linking the vision for Wales to the delivery of public services on the front line; and

- **A focus on outcomes**: there should be a clear distinction between responsibility for the 'what' and the 'how', such that accountability is strengthened and trust in and the autonomy of those delivering services at the frontline is increased. Clear

outcomes should be agreed and it is against these that providers should be judged and held accountable.

1.57 From the outset, we recognised that our work involved much more than possible changes to public sector boundaries or structures. It is a myth that there is some ideal structure or configuration of the public sector in Wales or anywhere else that will eliminate all problems of governance and delivery by design. The fact that governments around the world have sometimes believed that myth, and embarked on widespread structural change for its own sake, does not make it real. **Some structural changes are in our view necessary and indeed urgent. But they will achieve nothing without the wider changes we propose, for instance to governance, scrutiny, accountability, leadership, culture, values and performance management.** In short, there is no point in designing a new structure without also putting in place the systems, processes and people that will be needed to make it work.

Chapter 2: Complexity

Introduction

2.1 In the previous chapter we defined the overall size and shape of the Welsh public sector. In this chapter we examine the structure of the public sector, the interrelationships between the organisations in it and the effects those have on the governance and delivery of public services. That in turn can have profound implications for citizens and communities: if the system of public service provision is too complex, it can become very hard to understand entitlements, access services and hold those providing them to account.

Growth and change in the public sector

2.2 The Welsh public sector has grown and changed significantly over time. Some local government structures in Wales – as in the rest of the UK – date back to medieval times, although they have obviously changed much since then. Others have evolved more recently: NHS structures date from the 1940s, and all-Wales bodies mostly from the establishment of the Welsh Office in 1963. The establishment of the National Assembly for Wales in 1999 and the significant development of the devolution settlement since then changed the shape of the public sector still further, both by creating new systems of national government and empowering them to reform public organisations and structures. Some of those reforms have been major: for instance the abolition of the Welsh Development Agency and Wales Tourist Board in 2006, the extensive reforms of the NHS completed in 2008 and the creation of Natural Resources Wales in 2012. Other changes have been relatively minor such as the decision to incorporate the Internal Drainage Boards into Natural Resources Wales, which the Welsh Government announced during the course of our work.

2.3 This growth and change is not surprising. New structures and organisations have been created to address emerging policies, issues or ways of working; and old ones which were seen as obsolete or unfit for purpose have been abolished or merged. That is routine: it is of course very common for governments around the world to reform their structures as their priorities change. But – in Wales as elsewhere – this has happened in an evolutionary and organic way. New organisations and structures are fitted in alongside existing ones, and relationships between them are redefined and re-established. For instance, when the current 7 local health boards (LHBs) were created in 2008, they comprised amalgamations of the former 22 LHBs, which were in

turn identical in coverage to the current 22 local authorities.

2.4 Our table of public bodies shows that there is a considerable diversity in the membership, funding and accountability of Welsh public bodies.

- A few classes of organisations (the National Assembly for Wales, local authorities, town and community councils and police commissioners) have a **membership** which is directly elected by the public. Others have members who are either appointed following a competitive public process or nominated by other organisations, either locally or nationally;
- **Funding** of public bodies is also diverse, and may include Welsh Government, UK Government or local authority grants, local taxation (such as council tax and business rates), fees and charges levied on those who receive services, or a combination of these; and
- Finally, formal **accountability** may be to the National Assembly for Wales, Welsh Government, UK Government or directly to the electorate (or, again, a combination of these). This is often a product of membership and funding arrangements – for instance, bodies funded by the Welsh Government are accountable to it in some way, and members of directly elected bodies are clearly accountable to the electorate.

2.5 Some complexity is understandable and indeed desirable in the public sector. Public organisations deal with complex and often intractable issues which cannot just be contained within the remits of single organisations, and which have to be addressed through their working together. However the structure of the public sector in Wales is highly complex, and may appear to lack an adequate overall rationale. There are several aspects of this which we believe cause serious problems for the governance of the public sector, and which inhibit its ability to deliver well-coordinated, seamless and high-quality services to citizens:

- **The formal interrelationships, reporting lines and accountabilities between public bodies; *(relationship complexity)***
- **The geographical boundaries of public bodies and the extent to which they are coterminous; *(spatial complexity)***
- **The respective responsibilities of public bodies, and the overlaps and duplications between them; *(functional complexity)***
- **The arrangements for working across organisational boundaries through partnerships and similar. *(collaborative complexity)***

We will deal with these in turn.

Relationship complexity: accountability and reporting lines

2.6 Formal accountability arrangements and relationships define the basic relationships within a public sector system.[10] They also specify the constraints which apply to any public organisation, and to whom and how it is answerable. By formal accountability we mean any relationship in which one body:

- Has all or some of its membership determined by another (whether by appointment or election);
- Is scrutinised routinely and formally by another;
- Is audited or inspected by another;
- Is subject to investigation by another; and
- Is subject to direction, guidance or policy oversight by another.

2.7 The number and diversity of public organisations in Wales means that the overall pattern of formal accountability across the public sector is over-complicated. We have captured these relationships diagrammatically in our accountability diagram available online.

2.8 We have done the same for overall funding arrangements, which are also complicated; our funding diagram is also available online. The diagram shows that while Welsh Government grants account for most sources of funding, many bodies are also funded via local taxation, charging for services, the Welsh Consolidated Fund, UK Government grants and local authority grants. Funding arrangements may in some cases also amount to accountability relationships, if for instance the recipient is obliged to meet the terms and conditions of a grant; reliance on local taxation also creates a broader obligation to taxpayers.

2.9 Complex though this may seem, it greatly over-simplifies the actual picture. This is because we have not included in these diagrams any of the following:

- Accountability to or within non-statutory partnerships such as a local service boards (but see later in this chapter for our analysis and conclusions on this);
- Accountability relationships of non-devolved services, except the police;
- Accountability relationships which affect public bodies on the same terms as private ones (e.g. inspection by the Health and Safety Executive);
- Regulation of individual members of the public sector workforce to, for instance, the Care Council for Wales, the General Teaching Council for Wales or the regulatory bodies of the medical professions;
- Accountability to the courts in cases of alleged criminal or civil wrongdoing, or applications for judicial review;

[10] This distinction between formal and informal accountability, and its importance, is explained in the report of Independent Commission on Public Service Governance: www.jrf.org.uk/system/files/1898531862.pdf.

- Broader and/or informal public, political or media accountability relationships, which arguably cover all public bodies in a democracy (but see Chapter 4 on public engagement);
- The Assembly's ability to legislate on any matter within devolved competence, and to summon any person to give evidence to it (which would make all devolved bodies on the diagram accountable to the Assembly); and
- Insignificant accountability relationships (for example the UK Government's continuing responsibility for a few, mostly minor, Welsh local authority services).

2.10 We have also represented a formal accountability relationship between two organisations as a single line. In practice, relationships are rarely that simple. For instance, relationships with the Welsh Government often consist of multiple accountabilities for different services with different Ministers and departments, expressed in different ways – an issue we explore and make recommendations about elsewhere in this chapter. Equally, audit, inspection and regulation by a given organisation can include multiple forms of examination and review conducted at different times. We consider this issue in Chapter 4.

2.11 This picture of formal accountability will change if and when the Welsh Government makes a so-called 'Designated Persons Order' under the Local Government (Wales) Measure 2011 subjecting more organisations to formal scrutiny by local authorities. The Welsh Government have consulted[11] on proposals which would include the following organisations:

- Local health boards;
- NHS trusts;
- Fire and rescue authorities;
- National Park authorities;
- Registered social landlords;
- Third sector organisations providing services to the public; and
- Town and community councils (although the Welsh Government has expressed a neutral view on whether these should be included).

2.12 Overall, the set of relationships within the public sector means that many organisations are subject to multiple formal accountability mechanisms. To choose one, accountability for fire services in Mid and West Wales includes:

- Strategic and operational oversight of the service by the Mid and West Wales Fire and Rescue Authority (FRA);
- Nomination of membership of the FRA by each of the 6 constituent local authorities;

[11] Welsh Government Consultation Document WG17306 August 2013. *Designated Persons Order (Number 1) under the Local Government (Wales) Measure 2011*

- Scrutiny of the service by each of those 6 authorities' scrutiny committees (currently by agreement; the Designated Persons Order would formalise the position);
- Audit and inspection by the Wales Audit Office;
- Investigation by the Public Service Ombudsman for Wales and by the three Commissioner bodies; and
- Policy guidance and direction from the Welsh Government.

2.13 This is not a particularly complex example: other organisations are, for instance, liable to inspection by more than one body, or are directly accountable to the National Assembly for Wales as well as the Welsh Government.

2.14 At the other end of the spectrum, some public bodies have relatively few accountability relationships. Most Welsh Government sponsored bodies, for instance, are accountable only to the Welsh Government and (in most cases) the Wales Audit Office. Town and community councils are in practice accountable only to the electorate (and sometimes not even that, given that many community council elections are not contested).

The consequences of relationship complexity

2.15 The need for robust and consistent mechanisms to examine and control the activities of public bodies is an unarguable dimension of any concept of public service. The Nolan Principles on Standards of Conduct in Public Life recognise this by stipulating that "holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office".[12] Formal accountability, whether by scrutiny, audit or policy direction, is a vital part of that.

2.16 However, it is clear that the formal accountability arrangements within the Welsh public sector are highly complex, to an extent that may go beyond the basic need to hold public bodies to account. The clearest demonstration of that is that the arrangements themselves vary greatly and seemingly randomly across different areas of the public sector in terms of accountability to democratic bodies, regulators, commissioners and other tiers of government.

2.17 It is not at all obvious that these various accountability relationships cohere or interact in any meaningful way. To return to the previous example, it is unclear how audit or scrutiny of the fire service informs the development of national policy and vice versa. That may happen in practice, but the multiplicity of organisations, processes and relationships involved makes it less likely. Equally, it is hard to see how the service

[12] Lord Nolan, First report of the Committee on Standards in Public Life 2005

itself necessarily benefits from participating in all of these different relationships which have no obvious hierarchy or priority amongst them or relationship between them. For instance, it is not clear whether an audit report takes precedence over policy guidance or vice versa. We will return to this issue in Chapter 4.

2.18 Formal accountability relationships thus include a wide range of means of holding to account, of ensuring that proper arrangements have been followed and that relevant interests have been considered. **But we received clear and strong evidence from very many respondents that these mechanisms are too numerous, too incoherent and too burdensome.** To put it starkly, as Flintshire County Council did in its evidence to us: "Wales is over-governed". This was a very common theme in the evidence we received from across and beyond the public sector. To draw on just a few representative examples, Flintshire went on to say that:
Democracy in Wales is tiered and of a scale where there can be too many checks and balances in the relationship between change strategy and protectionism, [which] can compound parochialism.

Others included:
There should be a radical delayering of responsibilities and accountability… There can be no doubt that the scale and complexity of the public sector in Wales is unsustainable... A revised system should ideally only have three parties: a policy-maker… a deliverer… and an inspector. (City and County of Swansea Council)

Reductions in the quantity of non customer requirements such as Government initiatives and regulatory assessments… could reduce complexity and enable improvement. (Powys Local Service Board)

The landscape for public service provision in Wales is confused, confusing, overly complex and muddled… Trying to run an improving public service in the current environment is not easy and could be improved upon. (Mid and West Wales Fire Service)

For a relatively small nation, there is a huge complexity of public services in Wales, and a plethora of organisational structures. While getting the right public service structure is important, it is not an end in itself, and can be used as an excuse for why change can't or won't happen. (NHS Confederation)

Public service structures in Wales are highly complex. It is unsurprising that the system is frequently accused of being cumbersome and of costing more than it should. (Royal College of Nursing)

Complexity within public services often makes service-providers lose sight of what is

important. (Children's Commissioner for Wales, oral evidence)

Governance arrangements in Wales are unnecessarily complex and urgently in need of simplification. This frequently leads to complaints from FSB Wales members that they are over-governed but under-represented. (Federation of Small Businesses)

A key gap is in the provision of information…For patients there is inconsistent provision of information about the condition, about the care and services they can expect, about who they can turn to and about the wider issues they face. (Macmillan Cancer Support, oral evidence, Royal Welsh Show)

But the issue was probably captured most succinctly by the Police and Crime Commissioner for Dyfed Powys, who said in his oral evidence to us that:

We have so many mechanisms to guard against failure that we leave no space for success.

2.19 We agree with all of these views. The complexity of formal relationships and structures is a fundamental problem. The multiplicity of overlapping and non-complementary formal relationships severely hampers the scope and ability of public organisations and their leaders to drive strategic change and to improve delivery. The need to manage and respond to those relationships leaves little space for organisations actually to identify and respond to needs and opportunities to improve services, whether autonomously or by learning from those to whom they are accountable.

2.20 Instead, the multiple accountabilities to which delivery organisations are subject can pull them in different directions at different times, especially when those yield different priorities or areas for improvement. In doing so they may well hinder rather than enhance accountability, in that the various mechanisms make it unclear and ambiguous exactly how organisations are accountable, to whom and for what. The problem is not that public bodies are held to account by different interests: that is of course an inherent part of good public-sector governance. It is that there are multiple, disconnected and non-complementary mechanisms for formal and hierarchical accountability to other public bodies, regulators and tiers of government. As the Independent Commission on Public Service Governance recognised,[13] organisations can tend to focus on complying with such mechanisms to the detriment of less formal accountability to citizens and communities. That risk is all the greater when there are multiple formal accountability mechanisms to comply with.

[13] Independent Commission on Public Service Governance, *ibid*., p23

2.21 This sense of weak accountability is also rooted in organisations' own practices and processes but the pressures created by the formal accountability system are profoundly unhelpful. These pressures will be even more acute for smaller organisations, which, as we discuss in Chapter 3, are often particularly short of corporate capacity.

Relationship complexity – our conclusions

2.22 In short, formal structures and relationships within the public sector are so complex as to inhibit both the service improvements they claim to pursue and the accountability they seek to enhance. They also create and sustain short-term, risk-averse and compliance-driven organisational cultures: the priority becomes one of trying to satisfy all of the various accountability regimes rather than innovating to meet citizens' needs. We will return to that issue in Chapter 5.

2.23 This is not unique to Wales; as we said earlier, our structures have simply evolved in the same way as those elsewhere. As Lord Browne observed in a recent speech, the UK Government also has "an outdated structure [within which] no-one could succeed."[14] But it still demands prompt and wide-ranging corrective action. As it stands, service delivery organisations are seriously and needlessly constrained by the multiple accountability relationships to which they are subject. That will become even more of a problem in the medium term. As we explained in our introduction, the impending challenges of austerity and population change demand a radical rethinking of what we mean by public services and how they should be delivered. That in turn will require a much greater space and scope for public organisations to think and act radically and strategically. Such space will never be available within the current complex and cluttered environment.

2.24 We therefore recommend several broad ways to reduce the complexity of formal relationships.

Refocusing accountability mechanisms

2.25 As we note in Chapter 4, there is a need for a wider and more general reform of accountability. But there are some specific accountability arrangements that need much greater clarity about who they hold to account and how. The organisations concerned risk either being ineffective in their work and/or duplicating that of others, creating burdens rather than driving improvement. We believe this is particularly true of fire and rescue authorities and community health councils, and we set out our proposals on them later in this chapter under our wider consideration of the relationships between functions and remits of public bodies.

[14] Speech to the Institute for Government, 6 June 2013.

Streamlining and aligning audit, inspection, regulation and scrutiny

2.26 Secondly, a similar point arises as regards audit, inspection and regulation. There are currently multiple overlapping regimes in this field, undertaken by at least four different organisations. Many respondents – including the major regulators – told us that this creates needless complexity, and a significant and avoidable management burden. Much of this seems to stem simply from the multiplicity of regulatory organisations and the statutory regimes that underpin them; commitments to greater coherence and alignment have not proved effective in practice. It would be wrong to ascribe deficiencies in the regulatory system solely to formal structures: as we explain in Chapter 4, there is also much room for improvement in how public bodies respond to and learn from audit, inspection and regulation, and the value that they place on it. But as above, the formal structure is profoundly unhelpful.

2.27 The Welsh Government has launched a separate review of audit, inspection and regulation, which will consider these issues in detail; the first phase of its findings is due out in early 2014. We do not wish to pre-empt that. But **we recommend that the Welsh Government's review of audit, inspection and regulation must identify ways to reduce complexity and deliver greater focus.** Those might include changes to audit and inspection practices, responsibilities or structures.

2.28 Furthermore, there is little if any alignment between these processes of audit, inspection and regulation, and mechanisms for formal and political scrutiny. Again as we discuss in Chapter 4, scrutiny has struggled to have a meaningful and consistent impact on governance and delivery. There are various reasons for that – but it certainly does not help for scrutiny to be effectively competing for attention with other accountability mechanisms. While scrutiny is substantively different from audit, inspection and regulation, that does not mean that each should take place in isolation. On the contrary, their differences can, should, and must complement each other in a way which strengthens rather than fragments accountability, and changes already under way to scrutiny and audit arrangements must reflect that. **We therefore recommend that scrutiny, audit, inspection and regulation must become complementary, clearly aligned and mutually reinforcing**. That will increase their effectiveness in driving improvement while reducing the complexity that they create.

Simplifying national policies and programmes

2.29 Finally, much of the complexity arises from the multiple policy mechanisms (such as legislation, regulation, guidance and funding) which different departments of the Welsh Government use in dealing with service-providers. Many of these place prescriptive and detailed requirements on other organisations in different ways; there

is not always a clear rationale for why a particular mechanism has been chosen; nor is there always a sense that different policy mechanisms and programmes interact coherently and effectively. Sometimes, these differences frustrate collaborative action by local partners, as we explain later in this chapter. But there are two issues of general concern here.

2.30 The first relates to grant funding of public-sector organisations (grants paid to the third sector or to businesses are not within our remit). We received widespread evidence from regulators and from service-providers that the Welsh Government was too reliant on the use of grants as a policy instrument across the public sector. We heard that "grants restricted innovation"[15], that "a grant culture is prominent in the Welsh Government and is an industry in its own right"[16] and that "grant management could be more efficient and strategic."[17] Historical structures seem partly to blame, but despite commitments to reduce the number and value of specific grants, the situation persists. As the WLGA argued in its evidence to us:
[S]ince 2006… the problems surrounding complexity have grown and in particular the multiplicity of funding schemes has continued to get larger. Behind this are often different sets of Ministerial priorities, which have led to an exponential growth in specific grants. For 2011-12, these amounted to £760 million for revenue and to £456 million for capital.

2.31 We recognise that specific grants can have value, in particular to incentivise change, to support the introduction of new or innovative practices, or to guard against neglect of important priorities. But they can have significant drawbacks. They control, and thus focus attention, on inputs rather than on outputs or outcomes: requiring money to be spent on particular purposes does not and cannot guarantee better services or better outcomes for citizens. That focus can reinforce organisational or professional silos rather than foster collaboration between them. Specific grants necessarily include eligibility conditions and reporting requirements with which recipients must comply. Each grant needs to be administered and managed both locally and nationally: the WLGA estimated the costs of doing so as around 10% of grant value (which would mean that around £76 million per year is spent on administering revenue grants paid to local government). While it is hard to estimate these costs accurately for all grant schemes, the 10% estimate squares with that of the Wales Audit Office in 2011.[18] Whatever the exact figure, it is clear that very significant sums are consumed in this way. Overall, specific grants add considerably to the complex relationships that public sector organisations have to manage, and to the avoidable costs they incur.

[15] Carmarthenshire County Council
[16] Cardiff public meeting.
[17] North Wales Fire Service
[18] WAO November 2011 *Grants Management in Wales*, p16.

2.32 The Welsh Government's role in funding of public services in Wales, mostly via grants, is fundamental and obviously has to continue. Only relatively few bodies raise any significant revenue from other sources. However, the terms on which grants are paid risk increasing complexity and costs for no great benefit.

2.33 **We therefore recommend that funding arrangements must be simpler and focused on achieving outcomes. By the end of the 2016-17 financial year, all specific grants which the Welsh Government pays to other public sector bodies must be either:**

- **Included in unhypothecated funding; or**
- **Subject to much clearer and outcome-focused conditions which ensure specific grants are spent in a way that contributes to national or local outcomes; or**
- **Retained in their current form in genuinely exceptional cases only.**

These should be limited to cases where it can be publicly demonstrated that the above options would necessarily and universally lead to worse outcomes, and that the total costs of grant management would be less than 3% of grant value.

2.34 As we recognise in Chapter 6, not all public organisations focus on outcomes consistently or manage the performance of their services well. That may well contribute to the growth in specific grants, which effectively remove the need for organisations to make strategic or operational funding and performance management decisions themselves. But organisations which *can* demonstrably and sustainably make progress towards securing outcomes and delivering high-quality services can and should earn greater autonomy in their use of specific grants in advance of the above changes. **We therefore recommend that, by the start of the 2015-16 financial year, the Welsh Government must set out how recipients of each specific grant can earn greater autonomy in their use by demonstrating their ability to deliver positive outcomes through strong performance.**

2.35 Our second area of concern relates to legislation. The importance of legislation again, should not be understated. We agree that Wales has benefited hugely from the acquisition of legislative powers, and from legislation which has transformed the delivery of public services and citizens' entitlements to them. However, the effect of accumulated legislation (whether passed by the National Assembly for Wales or previously passed by Parliament) can add to complexity. In particular, the practice of legislating to require public bodies to 'have regard' to a specific concept or objective in their decision-making processes simply complicates those processes without necessarily achieving anything in terms of the objectives concerned.[19] As Cardiff Partnership Board pointed out in their evidence:

[19] In law, a duty to 'have regard' to an objective is simply that: a duty to take it into account before reaching a decision or taking action. It can be perfectly reasonable to decide that the objective is irrelevant, unimportant or undesirable in the circumstances.

Local Authorities and public bodies must (to varying degrees) pay regard to a number of requirements such as:

- *Equality Act 2010 - Equality Impact Assessment*
- *Welsh Government's Sustainable Development Bill*
- *Welsh Government's Statutory Guidance - Shared Purpose Shared Delivery*
- *United Nations Convention on the Rights of the Child*
- *United Nations Principles for Older Persons*
- *Welsh Language Measure 2011*
- *Health Impact Assessment*
- *Habitats Regulations Assessment*
- *Strategic Environmental Assessment*

These assessments need to be streamlined and co-ordinated so as not to stifle partners with huge amounts of reporting.

2.36 We agree with the Partnership Board. The slow and uneven growth of devolved legislative powers from 1999 to 2011 limited the terms and the scope of legislation which the National Assembly for Wales could pass, but that is increasingly not the case. Such process-based requirements are hard to justify. Not only do they generate a large amount of reporting but navigating through multiple impact assessments and statutory requirements can create additional complexity and foster a 'tick box' compliance approach rather than delivering outcomes for Wales. Furthermore, it can be unclear how these and other requirements relate to each other. Any given statutory 'have regard' requirement has the same legal force as any other such requirement, and organisations may be faced with situations where statutory duties to 'have regard' to different objectives suggest different courses of action. That is not in the interests of effective decision-making or of securing better outcomes for Wales.

2.37 **We therefore recommend that the Welsh Government and the National Assembly for Wales should:**

- **Consider the need to secure citizen centred outcomes directly when legislating;**
- **Review existing legislation to ensure it simplifies and streamlines public-sector decision-making rather than imposing undue constraints on it or creating complexity; and either repeal such provisions or clarify their meaning and interaction.**

Spatial complexity: boundaries and their coterminosity

2.38 The way in which the public sector has evolved also creates a risk that the boundaries of local and regional organisations are not coterminous, that is, they do not coincide. A lack of coterminosity affects both service-providers and users. Organisations which have to work across others' boundaries inevitably find it harder to form effective partnerships. In the same situation, citizens may find it confusing to understand which

organisation is supposed to serve them, and harder to hold them to account.

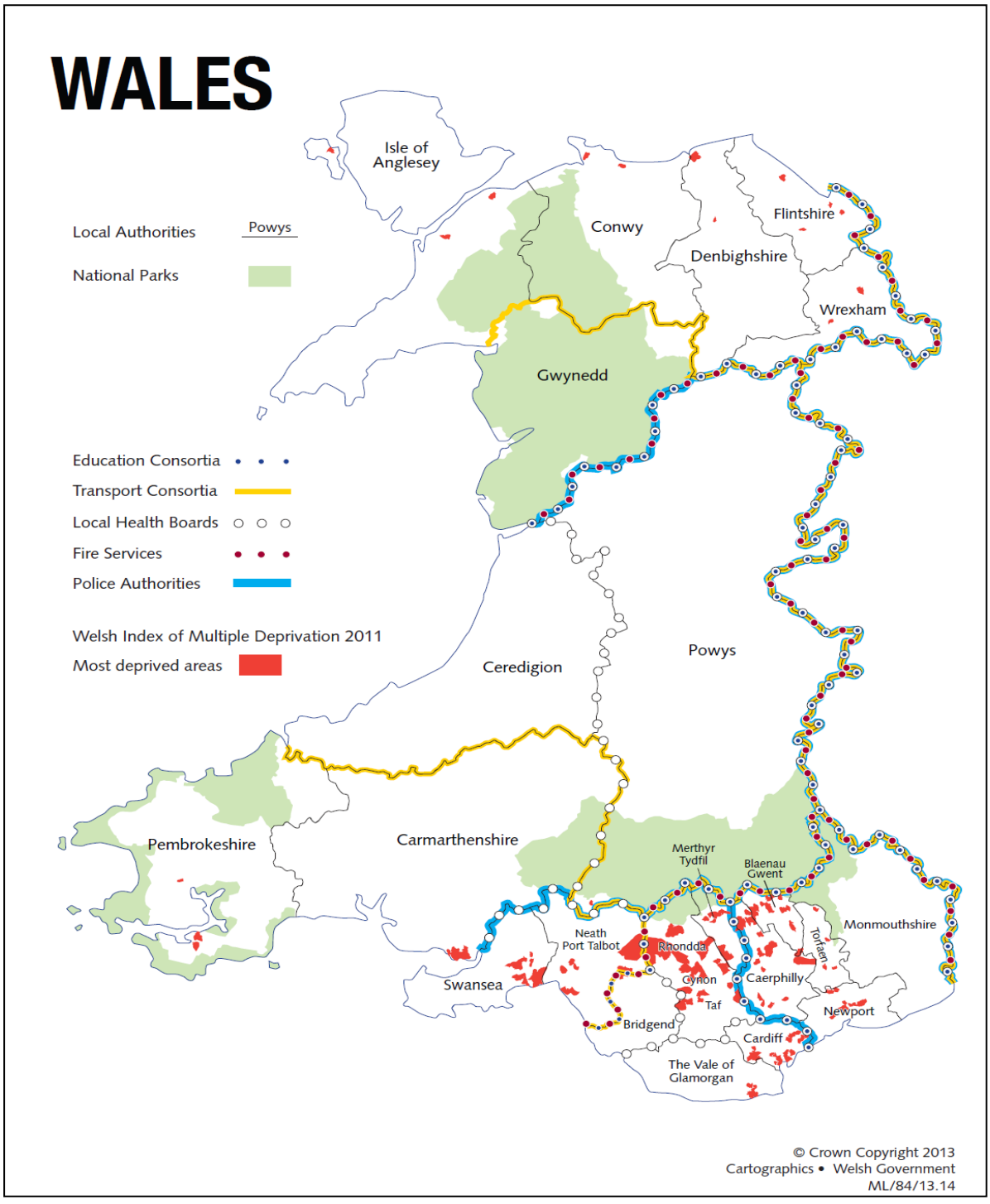
2.39 The importance of coterminosity came through strongly in evidence from many organisations. The Society of Local Authority Chief Executives noted in its oral evidence to us that:
increasing coterminosity will be important. There are different footprints for different functions which pull organisations in different directions and increase the workload.
The Welsh Ambulance Service NHS Trust agreed:
There are cross-border issues and complexities around charging for treatments received across borders which are time-consuming and bureaucratic.
Likewise, in their oral evidence to us, the chief fire officers contrasted the position in north Wales (where all boundaries were fully aligned, making it much easier to establish partnerships and generate a common sense of purpose) with that in the south Wales fire and rescue area, which spanned 10 local authorities, 2 police forces and 2 local health boards. The chief officer there described the considerable difficulty he faced in co-ordinating services and engaging effectively with multiple partners.

2.40 Service-users and their representatives were equally clear about the need for alignment of boundaries. For instance, the Federation of Small Businesses described "a spatial patchwork that has poor accountability and creates barriers to cooperation between public bodies" and an attendee at our public meeting in Haverfordwest noted that regional collaborative structures lacked clarity and made it hard to understand the relative responsibilities of organisations and partnerships.

2.41 As the map below shows, most of the boundaries of the main public service providers in Wales are already well aligned, if only in the sense that they do not cross each other. Local health board, police and fire areas all consist of aggregations of local authority areas – such that each local authority deals only with one LHB, one police force and one fire service. Each health board also deals with one police force. There are undoubtedly issues around organisations with large areas like health boards and police forces working with multiple organisations with smaller areas, like local authorities – but the recommendations we make in the next chapter would significantly reduce those.

2.42 The one exception is that the boundary between the South Wales and the Mid and West Wales Fire Services. This splits the area covered by the Abertawe Bro Morgannwg Local Health Board, such that Bridgend is served by the South Wales service and Neath Port Talbot and Swansea by the Mid and West Wales service. The result is a needless complication of local arrangements, both for organisations and citizens: the chief fire officer for South Wales was particularly clear about this in his oral evidence to us.

2.43 This one major anomaly should be resolved. The fire service boundary could be moved either eastwards or westwards to bring it into alignment with that of the local health board. The latter may appear more attractive in that it would align the South Wales Fire Service boundary with that of South Wales Police. It would also create a more homogenous fire service area for Mid and West Wales, which currently includes heavily urbanised areas in Swansea, Neath Port Talbot alongside very sparsely populated areas in mid Wales. However, any decision would clearly have implications in terms of resourcing, staff, premises and operational management; and these need to be informed by a full business case based on detailed analysis of these issues. That is beyond our remit.



2.44 **We therefore recommend that the boundary between the South Wales Fire and Rescue Service and the Mid and West Wales Fire and Rescue Service should be aligned with that of Abertawe Bro Morgannwg University Health Board.** This would mean either that the current Swansea and Neath Port Talbot local authority areas would be covered by the South Wales service; or that the Bridgend area would be covered by the Mid and West Wales service.

2.45 Beyond this, the position is less clear. Boundaries of other organisations and consortia are less consistent with those of the main providers. Sometimes this is unavoidable. The boundaries of National Parks, for instance, are based around the extent of a protected landscape, and have no necessary connection with other administrative boundaries. Communities First areas are defined by the extent of deprivation. And the boundaries of trunk road consortia reflect the layout of the trunk road network and the need for operational efficiency in maintaining it.

2.46 Others, though, appear to have less of a rationale. For example, transport consortia plan and manage integrated transport in their areas. The boundary between the north Wales consortium (Taith) and the mid Wales consortium (TraCC) divides the county of Gwynedd so that the old district of Meirionnydd falls within TraCC but the rest of the county within Taith. While that might make sense from a purely transport perspective it necessarily hinders connections with other services managed along different boundaries. For example, the whole of Gwynedd is served by Betsi Cadwaladr UHB and flows of patients and others to and from its facilities ought sensibly to be planned on the same basis. The same pattern is followed by regional social care improvement partnerships, and the school improvement consortia which the Education Minister recently formalised[20] recreate the same boundaries between Bridgend and Neath Port Talbot as the fire services currently follow.

2.47 It is beyond our remit to consider detailed working practices within specific services; and there may well be sound operational reasons for these boundaries. But in principle we believe that the boundaries of consortia and partnerships – especially formal ones responsible for providing services – should mirror those of the main service-providers. The Welsh Government also recognised this in establishing a standard collaborative 'footprint' in 2012, broadly along health board boundaries – although that has clearly not yet brought consistency to all partnership boundaries and is reflected in the wider problems of collaborative complexity which we consider below. **We therefore recommend that the Welsh Government and delivery organisations must align the boundaries of consortia and partnerships with the boundaries of the main service-providers.**

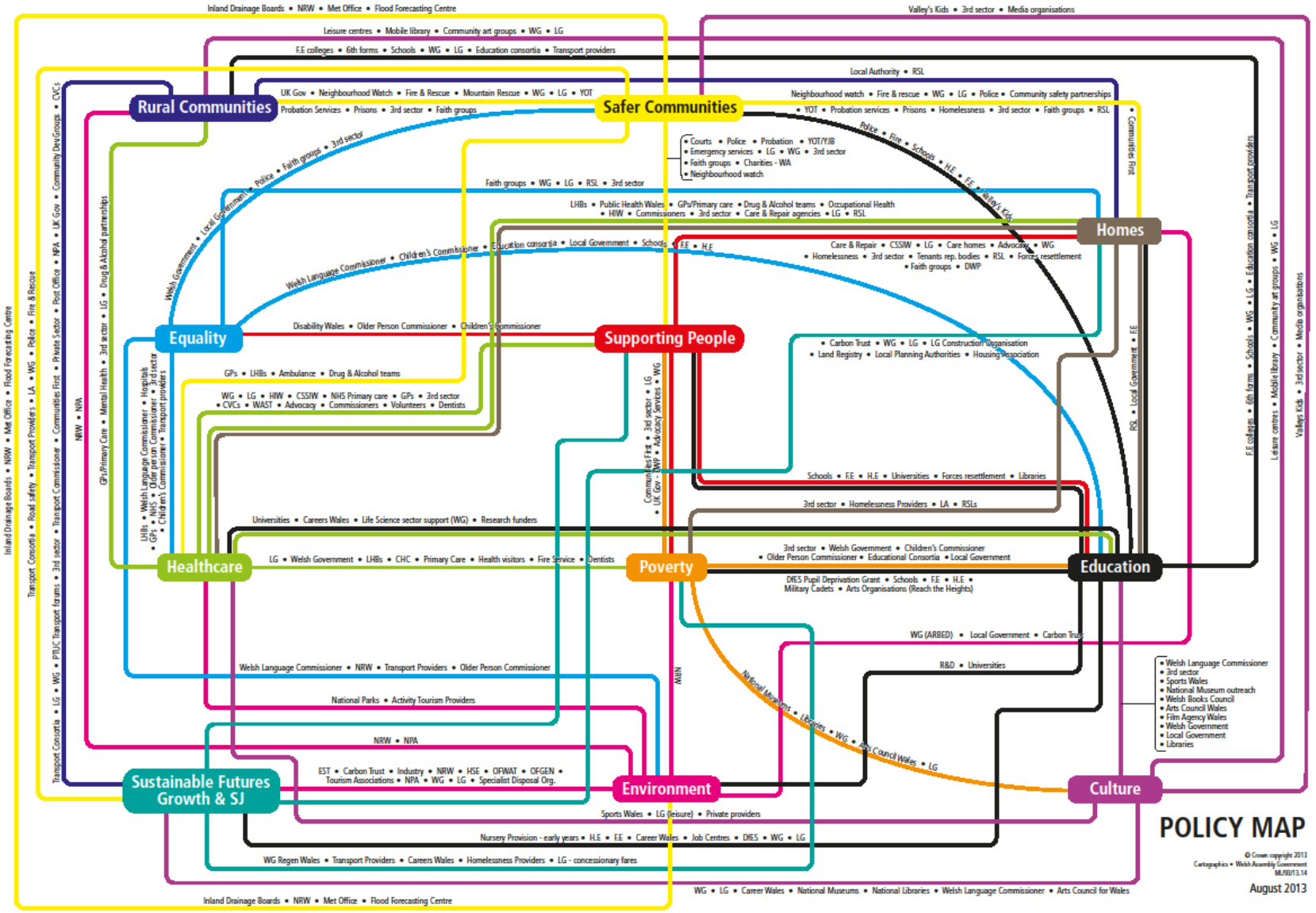
[20] Oral statement by the Minister for Education and Skills to the National Assembly for Wales, 1 October 2013.

Functional complexity: duplications and synergies

2.48 The third form of complexity is that there is often no clear division between the roles and responsibilities of different organisations. Instead, they very often overlap, particularly when viewed from the perspective of an individual citizen or community, or a particular broad issue or outcome. Multiple organisations thus have to work together to meet those needs or pursue those outcomes.

2.49 It is important to distinguish here between duplications and synergies. Duplications exist when more than one organisation carries out substantially the same functions in the same area or for the same people, leading to confusion, incoherence, inefficiency or even conflict between them. Those clearly need to be reduced or eliminated. On the other hand, synergies arise when two different organisations have complementary responsibilities which can be pooled to create a more seamless service and / or better outcomes. Maximising those synergies is just as important as eliminating the duplications. So while it would be naïve to expect every issue, outcome or citizen need to fall neatly within the remit of one and only one service provider, the overriding aim must be to create a system in which organisations can work together in complementary ways to deliver better outcomes, rather than working in parallel to create only confusion and waste.

2.50 Current ways of working between public sector organisations in Wales are a long way from realising that aim. They are often unclear and problematic for both public organisations and those that they serve. They require different patterns of joint working between different organisations for different ends. Overall, and as with formal relationships, the position is extremely complex. To illustrate this, we have attempted to map out organisations' roles and interactions in pursuing the Welsh Government's *Programme for Government* in the diagram overleaf.


Rural Communities
Safer Communities
Homes
Equality
Supporting People
Healthcare
Poverty
Education
Sustainable Futures Growth & SJ
Environment
Culture
POLICY MAP
August 2013

2.51 There is clear recent evidence that this need for organisations to work across complex functional boundaries may lead to a sub-optimal service or to ineffective pursuit of shared outcomes. For instance:

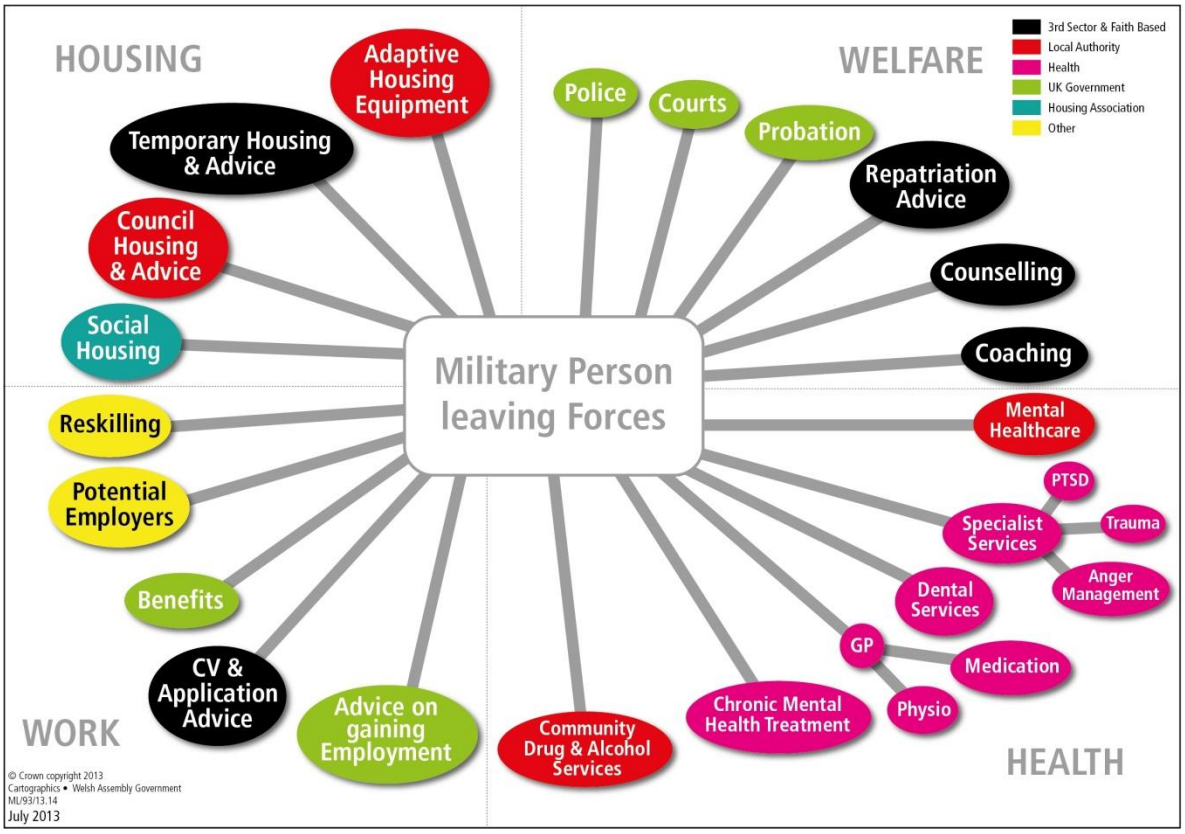
- The Wales Audit Office concluded in 2012 that planning for and management of civil emergencies was hampered because "too many emergency planning groups and unclear accountabilities add inefficiency to the already complex resilience framework."[21]
- The WAO also found that delivery of the continuing health care programme (under which qualifying patients have their care needs and costs met by the NHS) was hampered by inconsistent joint working between local health boards and social services departments, and attempts by both to 'shunt' responsibility for delivery and funding on to the other.[22]
- The Assembly's Communities, Equality and Local Government Committee found that disparate responsibilities, regulations and funding arrangements for housing adaptations had led to a system which, in the words of one of its witnesses, "seem[s] uniquely structured to encourage delay, bureaucracy and fragmentation in the delivery of service."[23]

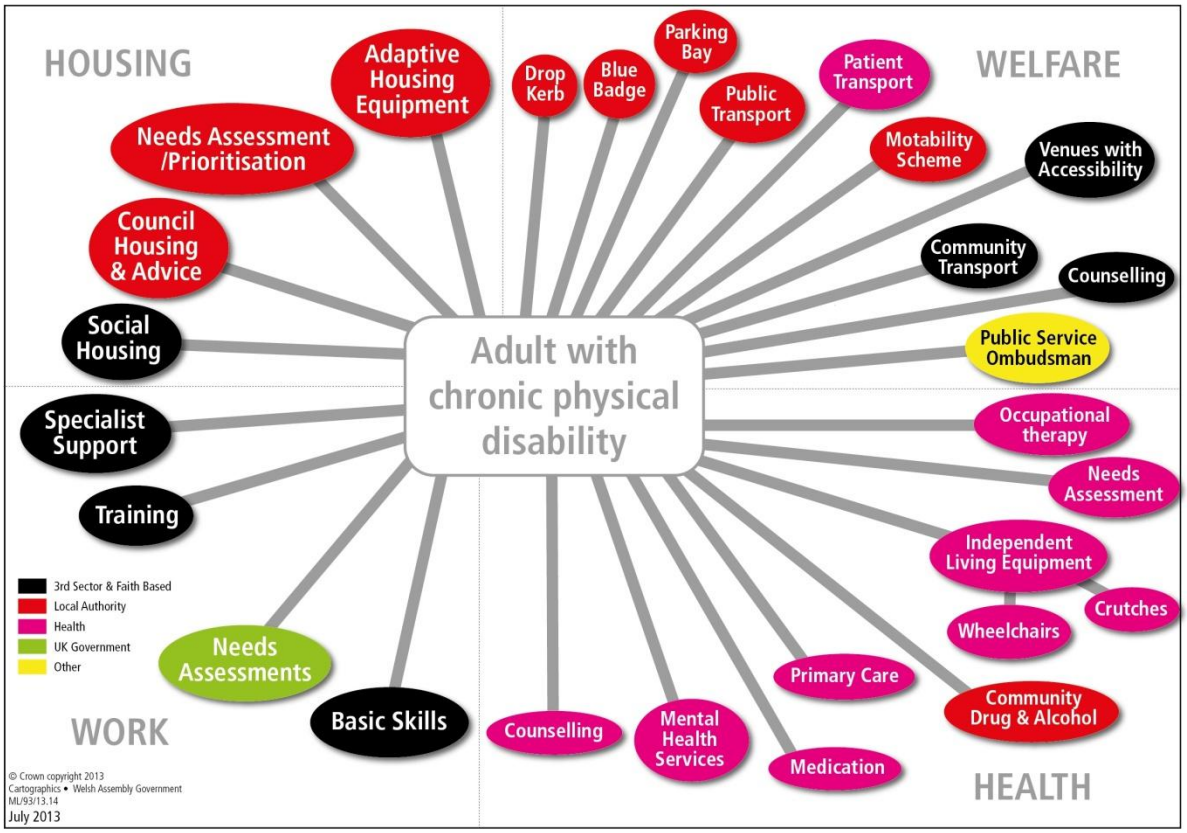
2.52 Equally, citizens need clarity about the distribution of responsibilities between different organisations if they are to understand their entitlements to services and how to access them. They also have a right to expect seamless and joined-up services which together meet their needs, not to have to negotiate or arrange such provision separately themselves. As the Royal College of Nursing stated in their evidence to us:
All sections of the public should be able to access services seamlessly when they need them, and not have to be passed back and forth between agencies whilst they argue who should provide the service and as is more often the case – who will pay for it.
That aspiration does not seem to be met at present. As the Wales Council for Voluntary Action said in their evidence:
Current arrangements and structures have drifted into complexity which makes it difficult for external organisations and users alike.
Diverse Cymru agreed:
Finding out who runs a service and how to access [it] is 'time consuming, difficult and [a] frustrating process.'

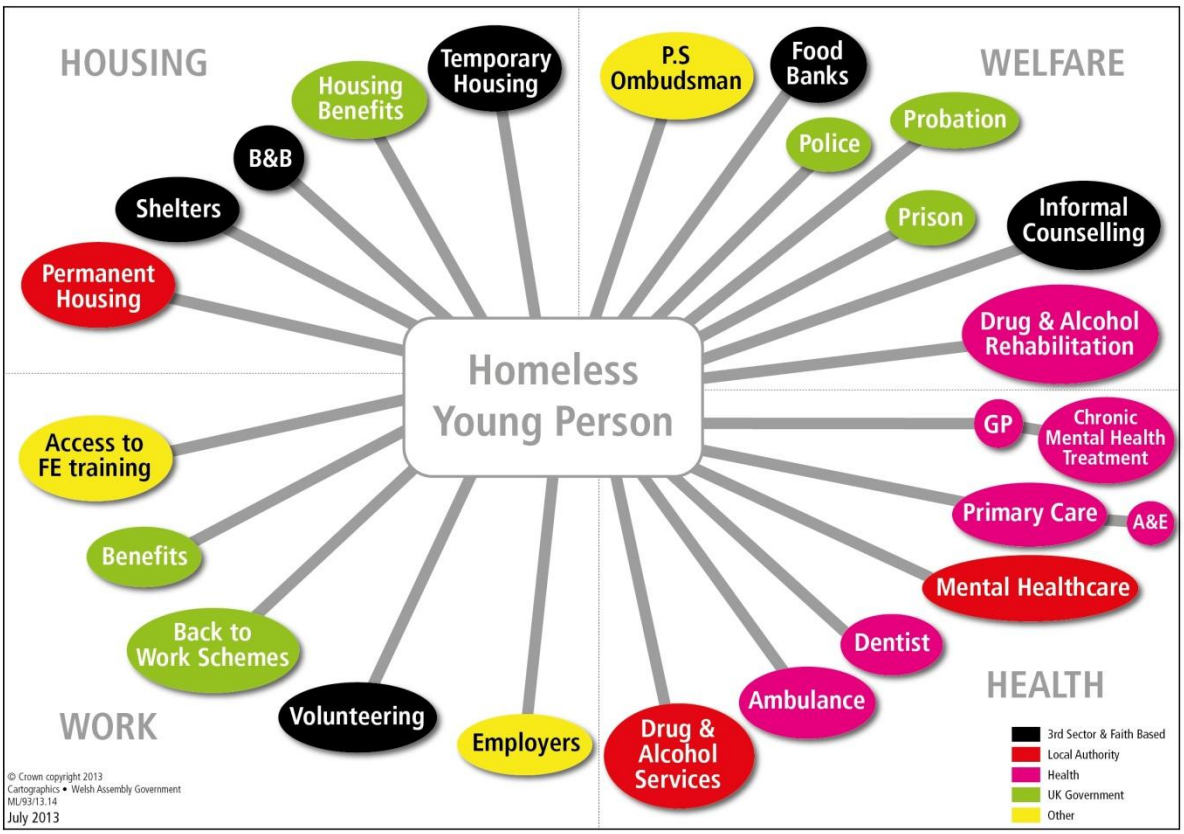
2.53 In other words, remits which may or may not cohere from the perspective of public organisations certainly do not from the perspective of service-users. The following diagrams depict the interactions which an archetypal service-user might need to have

[21] Wales Audit Office December 2012. *Civil Emergencies in Wales*, p26.
[22] Wales Audit Office June 2013. *Implementation of the National Framework for Continuing NHS Healthcare*, p51.
[23] National Assembly for Wales Communities, Equality and Local Government Committee July 2013. *Inquiry into Home Adaptations*.

with the Welsh public sector. Having to identify, understand and manage all of those is a formidable challenge, and often an unnecessary one.







2.54 We recognise that many organisations have sought to address this through creating single points of contact, one-stop shops, or similar initiatives. Likewise, national programmes such as Flying Start and Youth Offending Teams have sought to integrate services from a user's viewpoint. Many organisations recognised the importance of doing so. For example:

The Council places a prominent focus on citizen outcomes. Customer feedback provides… a more holistic view of service provision to understand the needs of local people. This is the primary driver in shaping the structure of services, for example, a team around the family approach within Children's Services to help keep children with their families when it is in the child's best interest; a drug and alcohol single point of access to help substance misusers; and establishing a reablement service to help people with a cognitive impairment. (Rhondda Cynon Taf County Borough Council)

Front-line workers have ready-made intelligence about what people's experiences are, because they see it and hear it. This gives them the opportunity to encourage users and carers to become involved in providing their stories, from which policy makers can learn about how services can and should improve. That should increasingly be a default position for the public sector, using the stories of people on the receiving end, to understand how those services can be improved. (Merthyr Tydfil County Borough Council)

2.55 But it is clear that much remains to be done. People who responded to our public consultation commonly expressed frustration about having to negotiate a needlessly complex public service environment. For example*:*
It is difficult when one has to be passed from one person to another and several bodies seem to be dealing with the same thing. (Written response from a resident of Pontypool)
I know of many instances where people get baffled by how to get through and by the time they do, they are not in a good mood - this tends to skew the responses they get! Many organisations do not favour direct access to the person with the answers, and this creates unnecessary delays and sometimes confusion. (Written response from a resident of Abergavenny)
There is a clear link here to issues of leadership and culture. The public services of the future will need leaders at all levels who actively seek out opportunities for delivery with others to maximise synergy and efficiency and to ensure that services are integrated from the users' perspective. That in turn reinforces the need to address issues of scale, and to create the space and strategic capacity to redefine services and the means of their provision around the needs, priorities and preferences of citizens and communities.

2.56 We have therefore considered how to make the current distribution of functions and responsibilities simpler and more effective. We have approached this from several angles:

- **Refocusing organisations** which discharge functions which are a subset of those discharged by another organisation, or which have responsibilities which are too broad for them to discharge effectively;
- Formally **transferring functions and services** from one part of the public sector to another, on the grounds that those services are more consistent with others provided elsewhere, but leaving the former to discharge its remaining functions; and
- Identifying **synergies between functions and services** with a view to ensuring they are maximised. That may mean merging organisations with complementary roles and a strong common purpose, encouraging the recognition and take up of such opportunities at the delivery level, and/or establishing less formal but robust partnership arrangements.

Refocusing organisations

2.57 There are a few organisations which have functions that arguably duplicate the roles of others which are better placed to discharge them, and/or which have responsibilities which are too broad for them to discharge effectively. The organisations concerned should focus on those functions which add distinctive added value. Such action is necessary purely to reduce complexity and increase efficiency. It

does not and should not reflect on the performance or commitment of the bodies concerned or their members and staff.

2.58 We have identified three such cases. Our detailed reasoning and recommendations are in Annex F, but in outline we have reached the following conclusions.

2.59 **Community Health Councils** (CHCs) play a vital role in ensuring the voice of the patient is at the heart of the delivery and governance of health services – a role which is even more critical in light of the Francis Report. But they risk duplicating the roles of other mechanisms for inspecting, scrutinising and investigating health service providers and thus diluting the extent and the effectiveness of their patient-centred work. They need to work with other scrutiny and regulatory bodies to bring patients' concerns to bear, and thus strengthen rather than duplicate those mechanisms. Combining the local knowledge of CHCs with the expertise of regulators should improve scrutiny and be more resource-effective. It should also mean more resource can be devoted to CHCs' advocacy services, and the excessive waiting times for them reduced. **We therefore recommend that community health councils must ensure that the interests and concerns of patients are at the heart of governance, decision-making and service delivery in the NHS. This means that:**

- **They must prioritise patient advice and advocacy, and reduce waiting times for this service;**
- **They must scrutinise proposals for health service change constructively and objectively;**
- **They must be more focused in their scrutiny of the quality and safety of patient services by planning and co-ordinating their work with the Healthcare Inspectorate Wales, the Care and Social Services Inspectorate for Wales, the Public Service Ombudsman for Wales and local authorities; and**
- **The Welsh Government must support these changes and amend the law relating to CHCs accordingly.**
- Elsewhere in our report we note the critical importance of achieving a full integration between health and adult social care; that should also be reflected in CHC's work. **We therefore recommend that the Welsh Government should extend the remit of CHCs' advice and advocacy roles to provide seamless support to those who use both health and residential social care services.** This will also require changes to CHCs' membership and governance arrangements. **In particular, the Welsh Government should continue to reinforce the independence of the CHCs by changing their reporting line so that it is outside the remit of the Directorate of Health and Social Services.**

2.60 The functions of **National Park Authorities (NPAs)** are similar to those of local authorities but with a distinctive focus on conserving and promoting sustainable access to National Parks. We believe this focus would be at risk if their functions were

transferred to local authorities, as some argued in their evidence to us. However, there is a need to improve how they work collaboratively, not least because there are obvious risks of small scale in this sector. **We therefore recommend that NPAs must develop clear and consistent ways of collaborating with each other, and with local authorities, with Visit Wales and with Natural Resources Wales, on the ground, to avoid duplication and maximise the use of resources and scarce expertise.** This applies at the national level too, both to maximise the use of resources and to provide national leadership on strategic issues. **We therefore recommend that the Welsh Government and National Park Authorities should secure national leadership and co-ordination and the most effective use of resources and expertise. The Government should consider doing so through a single authority whilst retaining the distinctive identities of the three parks.** The accountability and membership of NPAs also needs reform, in particular to ensure that members of NPAs represent the areas that the parks cover, and are thus democratically accountable for the decisions they make. **To reinforce local accountability and decision-making, we therefore recommend that local authority-nominated NPA members must represent wards which fall wholly within the Park area or, if that is impossible, partly within the Park area. The Welsh Government should also consider whether directly electing NPA members would strengthen such accountability.**

2.61 **Fire and Rescue Authorities (FRAs)** cannot both manage services and scrutinise their delivery. Although we are sure that members of the authorities are committed and enthusiastic, it is asking too much to expect councillors to provide meaningful strategic leadership of a professional uniformed emergency service. Nor can they provide effective scrutiny of a service for which they are legally responsible, or for decisions which are taken in their name. That absence of scrutiny is a particular concern as regards funding of the fire service. Instead, the responsibilities of fire services and fire authorities should be separated, with the latter scrutinising the service and financial performance of the former. This could and should be extended to encompass joint working with the ambulance service too, as we describe below. We believe this will clarify and simplify accountability and also free up the fire services to continue the impressive improvements in performance we have seen in recent years. **We therefore recommend that FRAs must be reconstituted to provide effective scrutiny of fire services and their chief officers. As part of this:**

- **The chief fire officer should be legally responsible for planning, managing and delivering fire and rescue services, in a similar way as a chief constable is responsible for policing;**
- **FRAs should focus on holding the chief officer and the service to account. This should include both pre-decision scrutiny of strategic service and financial decisions, and continual holding to account for delivery and expenditure;**

- **The Welsh Government, in consultation with the FRAs, the fire services, their staff and other interested parties, must develop detailed options for ensuring transparency and accountability in fire service funding; and**
- **FRAs should also assume responsibility for scrutinising joint working between the fire and ambulance services. In the future, and subject to further devolution, a reconstituted body may be established with responsibility for providing scrutiny across all the emergency services.**

Transferring services

2.62 We received many responses which argued that a particular set of services or functions should transfer from one part of the public sector to another. Such proposals would leave both sets of organisations intact, but could arguably create greater simplicity and stronger service integration. Many of these concerned the possibility of transferring responsibility for adult social services from local government to the NHS, on the basis that this would provide a more seamless service for the many adults and in particular older people who need both healthcare and social care.

2.63 We received strong representations on both sides of this argument, from across and beyond the public sector. Given that, and the scale and importance of the services concerned, we have examined the evidence in depth. Annex G sets out our analysis and conclusions on this issue. We concluded that the case for greater and more effective integration between health and adult social services is compelling, both in terms of improving the simplicity and efficiency of the system and of providing a better and more coherent service to patients and care users. Indeed, this is probably among the most critical challenges that the public sector currently faces. However, we are not convinced that structural change is required to achieve this, nor do we believe that the benefits would necessarily outweigh the drawbacks. We therefore do not recommend any change of responsibility for adult social services.

2.64 However, we do believe that concerted action is needed across Wales to improve integration in this area. The tools and mechanisms needed to make this happen are already in place. We describe them in the annex along with some examples of good practice in their use. However, this is patchy and limited. The problem has been recognised for many years and the lack of progress in addressing it must ultimately represent at the least, a missed opportunity to improve services for and ultimately the lives of individuals.

2.65 We recognise the steps that the Welsh Government and service-providers are already taking to address this, in particular by preparing statements of intent for integrating services for older people with complex needs. We also note that provisions in the Social Services and Wellbeing Bill currently before the National Assembly for Wales,

will both clarify the requirements on service-providers to collaborate and empower the Welsh Government to ensure this is done. But progress here needs to be urgent, comprehensive and sustained. It must go much further than simple intentions to integrate, and must do so quickly. Nor can integration wait for the implementation of the changes we propose to local government structures in the next chapter, or for the passage, commencement and enforcement of the Social Services Bill.

2.66 Our analysis, in the annex to this chapter**,** leads us to conclude that: **urgent action is required to ensure that seamless, integrated and high-quality health and social services are provided across Wales:**

- **All local authorities and LHBs must immediately prepare clear and robust plans for integrating their services;**
- **These must include detailed proposals, milestones, targets and outcomes for improved and integrated delivery for all relevant services. The Welsh Government must monitor their implementation; and**
- **If these proposals are not implemented well or quickly enough, the Welsh Government must consider directing local authorities and local health boards to integrate, either using existing powers or those in the Social Services and Wellbeing Bill, if enacted.**

2.67 We received other suggestions too. For instance, Carmarthenshire County Council and Ceredigion County Council argued that community health services and public health services should transfer from the NHS to local government, to complement existing local authority social services and environmental health services. The WLGA concurred, at least as regards public health, as did the Directors of Public Protection Wales (an association of senior professionals in the field). And One Voice Wales argued for the incremental transfer of many community services and facilities – such as libraries, youth services and leisure services – from local authorities to town and community councils.

2.68 We will not deal in detail with all of these suggestions. In principle, the same arguments which have led us to conclude that there should be no change in responsibility for adult social care apply equally here. We are sceptical that transferring service responsibility from one part of the public sector to another will necessarily reduce complexity or improve standards of service. There are several reasons for this:

- Most simply, transferring services also means transferring staff and premises. Doing so would be costly, disruptive and time-consuming, and would distract attention from the genuine need to integrate front-line services better. Changes of this kind should only be contemplated where there is a compelling case for them. No such case has been made for any transfers of services, beyond broad assertions of compatibility with other services. That is not sufficient.

- Merely moving responsibility for a service from one part of the public sector to another does not guarantee that it will be better integrated with the other services that the new host organisation provides. There are plenty of examples of services provided by the same organisation which are not well integrated now. That risk would be even greater for a service which transferred, along with its own professional standards, processes and values which the new organisation might well not understand or share. For example, the medical and social work professions have markedly different processes, standards, values and funding models; and it does not seem likely that brigading both within a single organisation would do much to change that.
- Even if that problem was overcome, transferring services to make better connections with others provided by the new host comes at the cost of breaking connections with those provided by the old one. In Annex G we noted this issue in regard to adult social care: better integration with health would at the same time mean worse integration with children's social services and housing. The same holds for any other transfer of this kind. For instance, transferring responsibility for public health from the NHS to local government would sever the connection with other health services, diminish the ability of health boards to address the health of the whole population and perhaps enhance the sense of an undue focus on responsive, secondary and hospital-based health care rather than preventing illness and promoting better health.

2.69 Therefore, we do not recommend wholesale transfers of any services between parts of the public sector as a response to complexity. We believe it is far simpler, cheaper and more sustainable to give organisations the space, scale and strategic capacity to establish and maintain connections between their services and functions, and to clarify and strengthen their accountability, than it would be to force them through by structural change. Indeed that is the thrust of many of our other recommendations, as we explain in Chapter 7.

Maximising synergies

2.70 Also in Annex G to this chapter, we consider the particular needs for integration in the county of Powys. This is among the most sparsely populated areas of the UK, which presents distinctive if not unique challenges to service delivery. Those challenges are already reflected in a radically different model for delivering health services in the county. The health board does not operate any major hospitals; instead it provides primary and community services and commissions other forms of care from others, including the English NHS. This means that the roles and operations of the health board and the county council are more closely aligned than elsewhere. It creates much greater scope for realising that synergy through a more permanent and formal integration of health and social care, by merging the health board and the county

council into a single entity. We are aware that the two organisations explored this in 2009-10 and decided not to proceed for a number of reasons, although an independent options appraisal had concluded that the approach was viable and could generate significant savings. In our view, the problems that arose then could be overcome now, for instance because the National Assembly for Wales now has the powers needed to pass a Bill effecting the merger.

2.71 **Because of the unique characteristics of the county of Powys and the distinctive patterns of service delivery that this creates, we therefore recommend that the Powys County Council and the Powys Teaching Health Board should merge. This should be a two stage process:**

- **The Health Board and the Council, with the support of the Welsh Government should immediately begin action to integrate all their governance, management and delivery structures. They should define these arrangements by the end of 2014, and implement them immediately thereafter; and**
- **The Welsh Government and the National Assembly for Wales, in consultation with the County Council and the Health Board should define and legislate for a new single body to provide integrated health and local government services in the county. The new body must be established as a going concern, that is, with no historic health deficit and with stable ongoing funding arrangements consistent with the approach to health and local government services in the rest of Wales.**

2.72 Powys is a special case, and the synergy between the health board and the local authority derives in part from the distinctive geography of the county. We also considered whether there were other potential synergies between different organisations' responsibilities which ought to be strengthened to reduce complexity.

2.73 In some cases, these connections are so strong as to suggest merging organisations in pursuit of a common set of outcomes, and to create synergy between different areas of expertise and delivery. The most recent example of this was the creation of Natural Resources Wales (NRW) by merging the Countryside Council for Wales with the Welsh elements of the Environment Agency and the Forestry Commission. This has yielded a single organisation with a common purpose of protecting and enhancing Wales's natural resources which draws on the expertise and operations of its component parts in a complementary way. As NRW said in its evidence to us, it has an *ambition and enhanced capability to be able to adopt an ecosystems approach to inform our entire decision making. If successful, this should play a major role in delivering sustainable development in Wales, whereby the environmental, social and economic aspects are considered alongside one another, as well as future and present needs… The challenges we face will not be easy to deliver, but it is made easier by*

having a broader range of expertise and capability within a single organisation.

2.74 We agree, and we commend the Welsh Government for its innovative approach in establishing NRW. Equally, we support the Welsh Government's recent decision[24] to abolish Internal Drainage Boards and transfer their functions and resources to NRW. This is a clear case of duplication and we would have recommended precisely this course of action had the Government not acted. The need now is to ensure that NRW draws on its range of expertise in a strategic way, recognising the complementary value of its different strands of work rather than maintaining silos between them. It will also need to further develop planning and practical joint working with others, for example, with local authorities on flood risk management co-ordination. The initial signs are positive although we recognised that progress needs to be sustained.

2.75 We received little evidence from or about cultural bodies or services. However we note the Welsh Government's intentions to take a similar approach in the area of conservation of our built heritage. Currently, responsibility here is split between Cadw and the Royal Commission on Ancient and Historical Monuments of Wales (RCAHMW). Cadw is part of the Welsh Government, and is charged with maintaining policy on the historic environment, ensuring historic assets are properly managed, and supporting public access to over 120 sites in its custody. RCAHMW is an independent public body established under Royal Warrant. It is responsible for investigating and surveying the historic environment, and maintaining the National Monuments Register for Wales. There is a very clear synergy between the two.

2.76 The Welsh Government has therefore consulted[25] on proposals for a Heritage Bill, which would (amongst other provisions) merge the two organisations into one. The consultation sought views on the exact structure of the proposed new organisation, and whether it should be constituted within the Welsh Government or as a separate entity. We have no view on that; however, we again support the Welsh Government's proposals in this area. **We recommend that the Welsh Government and the National Assembly for Wales should legislate to merge Cadw and the RCAHMW when the Heritage Bill is introduced in 2014**.

2.77 These are positive developments which simplify structures and create strong synergies in the pursuit of common outcomes. We have considered whether a similar approach could be taken elsewhere in the public sector to maximise obvious synergies between existing organisations, and have identified two possible opportunities.

[24] Statement by the Minister for Natural Resources and Food to the National Assembly for Wales, 11 November 2013.

[25] Welsh Government consultation document WG19055 July 2013. *The future of our past: A consultation on proposals for the historic environment of Wales.*

2.78 Firstly, we believe there is potential for achieving greater synergy in the work of the major regulators: WAO, Estyn, CSSIW and HIW. All of them undertake fundamentally similar work of auditing, inspecting and regulating public bodies (and in some cases private and third-sector bodies too); and in their evidence to us all of them acknowledged both the scope for greater integration of their work and the value of doing so. However, as we have noted, a separate review is under way in this area and we believe that is the most appropriate means of considering these issues in detail.

2.79 Secondly, we have considered whether more should be done to realise synergies between Wales's three fire services and the Welsh Ambulance Services NHS Trust (WAST), or at least that part of WAST concerned with emergencies rather than routine patient transport. Again, both services undertake fundamentally similar functions of responding to emergencies using specialised vehicles and highly-trained staff; indeed it is common for both services to attend the same incident. That strongly suggests scope to improve strategic planning, operational management and back-office efficiency, either through effective partnership working or formal merger.

2.80 There are examples of the two services working well together. For instance, the South Wales Fire and Rescue Service and WAST jointly manage a 'community responder' scheme which shares the resources of both services in responding to certain calls. This has led to demonstrably improved performance in response times. However, progress elsewhere appears to be slow. In North Wales the Fire Service and Police share a joint communications centre in St Asaph, but WAST has so far been unable to commit to participating in the facility. There have also been delays in establishing a shared presence in Wrexham.

2.81 There should be no need to rely on this kind of piecemeal approach. While governance structures, accountabilities and cultures may differ between the two services, their functional and operational synergies are potentially very strong.

2.82 WAST has had well-documented difficulties in hitting its performance targets, which we describe in Chapter 6. It has also been the subject of a major recent review of its governance[26] which recommended closer oversight by local health boards[27]. Those performance and governance problems need urgently to be tackled. They preclude any formal merger of the emergency elements of WAST into the fire service, which the recent review also considered and rejected based on international evidence. But the synergy between the two must be much more clearly and systematically captured.

2.83 **We therefore recommend that:**

[26] Welsh Government, April 2013. *A Strategic Review of Welsh Ambulance Services*.
[27] Welsh Government consultation http://wales.gov.uk/consultations/healthsocialcare/ambulance/?lang=en

- **Each of the Fire Services and WAST must produce a clear plan for strategic and operational co-ordination and alignment by the end of 2014, including proposals as regards sharing of premises and co-ordinating responses to incidents requiring both a fire and ambulance presence;**
- **The reformed FRAs which we proposed above should scrutinise progress in developing and implementing these plans, at least on an annual basis.**

2.84 If responsibility for policing is devolved following the work of the Silk Commission, there would also be clear scope for taking a similar approach across all three emergency services. As we note, there is some evidence of effective joint working between the fire and police services now. The currently non-devolved nature of policing precludes us from making formal recommendations in this area; however, we would encourage the police to continue to participate in strategic and operational collaboration in advance of any change to devolved responsibilities.

2.85 Aside from these specific cases, opportunities to realise further synergies on a permanent or structural basis appear limited. However, there remains a pressing need for public sector organisations to understand how their functions overlap and interact, and to ensure that they plan and deliver services in ways which reflect that. In particular, they must ensure that citizens and communities receive complementary services in seamless ways; and that opportunities jointly to identify, pursue and achieve common outcomes are effectively taken.

2.86 At present, the scope for organisations to do this is severely hampered by the complexity of relationships, boundaries and responsibilities, which we have set out above. Addressing those in the ways we have described should help; in particular, it should simplify the strategic and delivery environment and create space for organisations to interact with each other and with those they serve more consistently and effectively. But formal and structural simplification is only a small part of the answer. This also demands robust, effective and efficient voluntary collaboration between public bodies, and it is to this broad and fundamental issue that we turn next.

Collaboration and partnership working

Background and context

2.87 Public-sector collaboration is very widespread. As research we commissioned noted, *Governments across the world have adopted collaborative approaches to managing public services in a bid to tackle wicked issues, improve services and contain costs.*[28]

[28] Entwistle, T. *Collaboration and Public Service Improvement*, research paper prepared for this Commission, p2.

It can equally take a number of forms, from loose understandings to exchange information and co-operate in routine decision-making, to permanent and formal partnerships with their own budgets, staff and decision-making powers, often established as legal entities in their own right.[29]

2.88 At least since devolution, national policy in Wales has strongly emphasised the need for and value of collaboration in the public sector and in public service management. Indeed, such principles were written directly and explicitly into the devolution settlement at its outset. The Government of Wales Act 1998 created new and at the time unique duties requiring partnership working between the National Assembly for Wales, local government, business and the third sector.

2.89 Those principles were subsequently developed and expressed in several policy statements and reports. In launching the overarching collaborative strategy *Making the Connections* in 2004, the then First Minister said

Our approach is based firmly on the view that the best outcomes in Wales will be delivered through collaboration and co-ordination, not competition… By working together as the Welsh public service, existing bodies can achieve economies of scale and deliver better quality public services.[30]

The Welsh Assembly Government (as it then was) subsequently published an implementation programme *Delivering the Connections* in June 2005. In 2006 it commissioned a major review of collaborative public service delivery *Beyond Boundaries* from Sir Jeremy (now Lord) Beecham and others which vindicated the overall approach but urged quicker and more co-ordinated action. And in March 2007 the Government published its policy statement *A Shared Responsibility* which reaffirmed the view that

No part of the public service acting in isolation can effectively meet the complex, changing and diverse needs of citizens. Public services must be provided by a wide range of collaborations between public service providers working across both geographical and sectoral boundaries.[31]

2.90 The overall aims have therefore been to encourage collaboration for three reasons. Firstly, and as the former First Minister noted above, partnership between public bodies (and between them and other sectors, communities and citizens) has been seen as a preferable alternative in principle to market-driven approaches which stress competition between service-providers and multiple choices for citizens as the drivers of improvement. Second, service-providers have been encouraged to collaborate so as to address shared, longer-term and/or cross-cutting outcomes and objectives which

[29] *Ibid*., p6.
[30] Statement to the National Assembly for Wales by the First Minister, Rt Hon Rhodri Morgan AM, 19 October 2004
[31] Welsh Assembly Government March 2007. *A Shared Responsibility: Local Government's contribution to improving people's lives*, p.1.

cannot be delivered by any of them acting alone. Third, and linked to that, collaboration has sought to overcome some of the issues which we described earlier in this chapter and elsewhere in this report: helping to overcome some of the problems of scale and capacity we discuss in Chapter 3.

The current position

2.91 This vision was in turn reflected in numerous policy, funding and legislative mechanisms.[32] These initiatives and others have led to a significant expansion in the number and coverage of public-sector collaborations and partnerships in Wales. In each local authority area, or in a few cases across two areas,[33] the structure culminates in a local service board (LSB) which includes all major local service-providers and which is tasked with developing and delivering a Single Integrated Plan (SIP) based on a common understanding of long-term local needs and priorities. Below that is a plethora of service- and issue-specific partnerships and collaborative ventures which vary in extent and coverage from one area to the next. We have attempted without success to gauge the full scale and number of these initiatives, as has a team of researchers from Cardiff Business School.[34] We examine some attempts to encapsulate local collaborative commitments below. But the very fact that there is no national overview of partnership working and its effectiveness strongly suggests that there are problems of complexity similar to or even greater than those we outlined earlier in this chapter.

Outcomes and improvement

2.92 The underlying rationale for any collaboration must be that it can deliver improvements and/or attain outcomes which organisations acting alone could not deliver so easily or at all. We heard mixed evidence as to whether that had actually occurred. Some respondents pointed to particular programmes or approaches which they believed fitted this description. For instance, the Vale of Glamorgan LSB referred to its progress in reducing crime and increasing employment opportunities, while its counterpart in Cardiff noted their work in co-ordinating action to respond to changes in the welfare system. Others argued more generally that they only instigated a collaborative venture where that would benefit local people[35] or that they had reviewed their arrangements to ensure that this was so.[36]

[32] For a summary of the main mechanisms, see Martin *et al. Learning to Improve: an Independent Assessment of the Welsh Government's Policies for Local Government.* Welsh Government, September 2013, pp49-50.
[33] There are combined local service boards for Conwy and Denbighshire, and for Anglesey and Gwynedd
[34] *Ibid.*
[35] Written evidence from Rhondda Cynon Taff County Borough Council
[36] Written evidence from Conwy County Borough Council.

2.93 However, the balance of opinion was much more sceptical. Much of this came from those with an overview of the public sector as a whole, rather than service-providers who might be expected to defend their own arrangements. For example, in their oral evidence to us, the Auditor General for Wales, the Older People's Commissioner for Wales and the Public Services Ombudsman for Wales all stated that progress in collaborating to secure better services and attain outcomes had been too slow and sporadic. Of particular concern is the implementation of the 2011 Simpson Review. This recommended that certain local authority services should be delivered collaboratively at a regional or national level; yet, as the Auditor General pointed out in his evidence to us, it has taken over two years largely to develop agreed business cases for such changes.

2.94 Summing up the problem, the Chartered Institute for Public Finance and Accountancy argued that:
despite evidence of collaboration across public sector in Wales, there is no 'golden thread' linking different bodies' objectives, priorities and performance, and little evidence of improved outcomes as a result of the collaboration.

2.95 Some service-provider organisations agreed with this. For example, Newport City Council argued that:
To date collaboration has been too limited and has taken far too long. In the current financial position we have reservations that the current approach to collaboration will deliver the change and savings required.
Denbighshire County Council concurred:
Sub-regional service collaboration has proven to be much more difficult than originally anticipated… The complexity involved in delivering collaborations can actually have a detrimental impact on service delivery and performance as so much time and energy is focused on overcoming the political and operational barriers.

2.96 This sense of a limited impact on improvement is also borne out in two recent pieces of research commissioned by the Welsh Government:
The picture of Welsh partnership working provided by our surveys and case studies is predominantly one of networking and information exchange rather than resource sharing and cost saving. More crudely expressed, partnerships still seem largely to be 'talking shops' rather than 'one stop shops.'[37]
And
It wasn't always clear how delivery on the ground would be set in motion, or what research had been conducted with regards to achieving or influencing the intended outcomes of the SIP….The SIP or its component [unified needs assessment] was not necessarily understood as an opportunity to focus on 'intervention', with the aim of highlighting to Local Service Boards what modes of intervention work best to address

[37] Martin *et al., ibid.,*p63

particular social problems as demonstrated through the analysis of evidence.[38]

2.97 It is also interesting to note the comparative position in Scotland. The Scottish public sector landscape is similar to that in Wales, and the legislation on local collaborative planning is all but identical,[39] requiring a similar range of local agencies to form community planning partnerships (CPPs). This seems to have had similar results. Audit Scotland recently reported that
CPPs have not been clear enough about the key priorities for improvement in their area… [They] have not clearly set out how local partnership working is making a distinctive and additional contribution to improving public services and outcomes for local people.[40]

2.98 This lack of impact on performance and outcomes is not, therefore, a distinctively Welsh problem, or a failing on the part of the organisations involved. Rather, simply handing over the task of co-ordinating partnership working to local agencies appears insufficient. While there are some notable exceptions, the balance of evidence shows clearly that it has led to at best sporadic and limited improvements in service standards or attainment of outcomes. That must call into question the considerable time and management capacity devoted to establishing and maintaining such arrangements. It points to a need for greater leadership from Welsh Government in prioritising where collaborative or partnership working is essential, and working with others to ensure that it is implemented effectively. It also underlines the need for a much clearer and more concise set of outcomes on which partnerships in general, and local service boards in particular, must focus. Without that there can never be an adequate focus either on contributing to national outcomes or on addressing particular local needs, pinch points or areas of under-performance. Nor can there be an adequate connection between partnership plans and strategies and individual organisations' corporate and operational plans. We explore this issue more fully in Chapter 6.

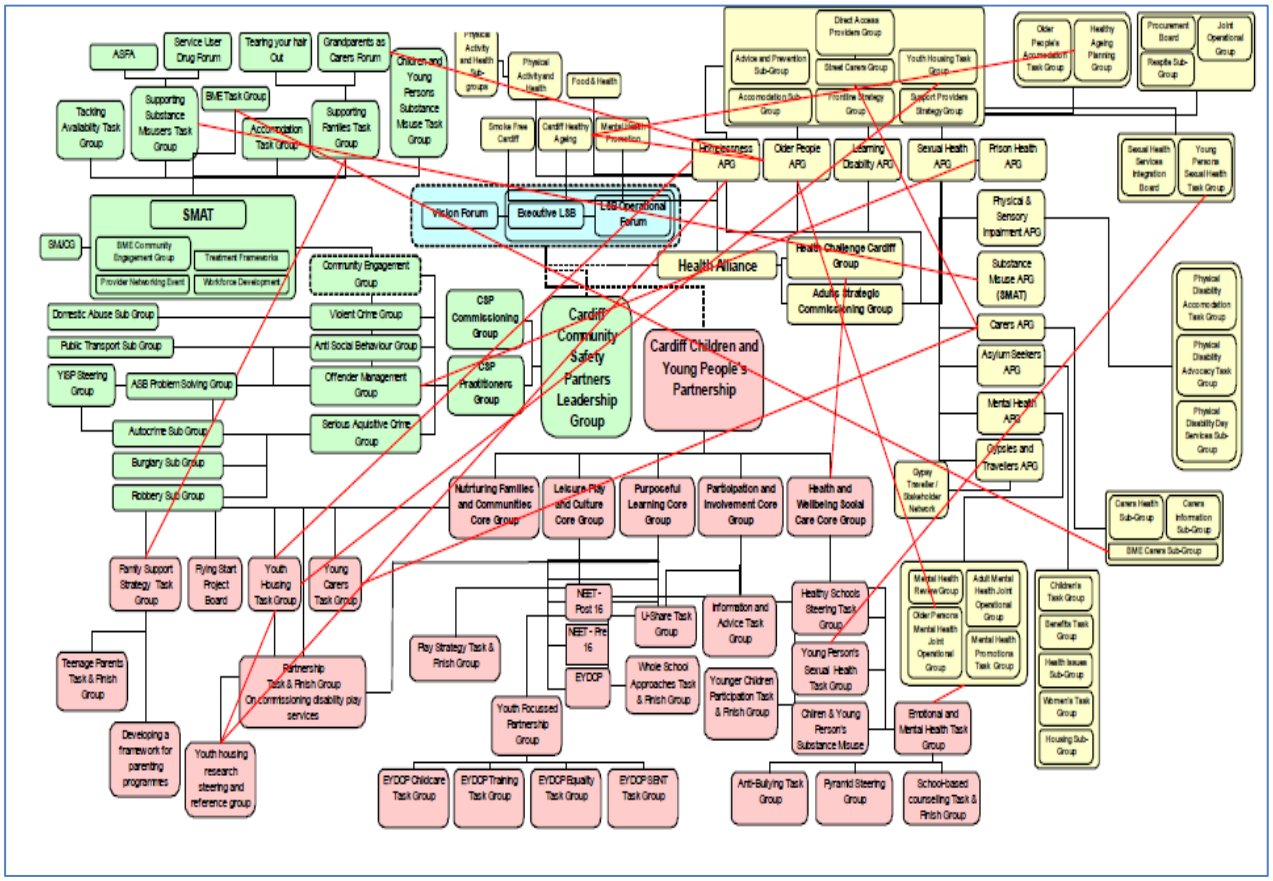
Structures and governance

2.99 A major reason for this is the way in which collaborative arrangements have been structured and designed, and how they interact with each organisation's own governance arrangements. We heard repeated evidence that this was often over-complex and badly implemented, leading to a position where partnerships simply formed another layer of decision-making complexity to be negotiated by each of the partners. As Carmarthenshire LSB put it:

[38] Broomfield, J and Lezerad, A. *Single Integrated Plans: an interim review*. Welsh Government, September 2013
[39] The relevant provisions in Part 2 of the Local Government (Wales) Measure 2011 were modelled explicitly on those in the Local Government in Scotland Act 2003.
[40] Audit Scotland March 2013. *Improving community planning in Scotland.*

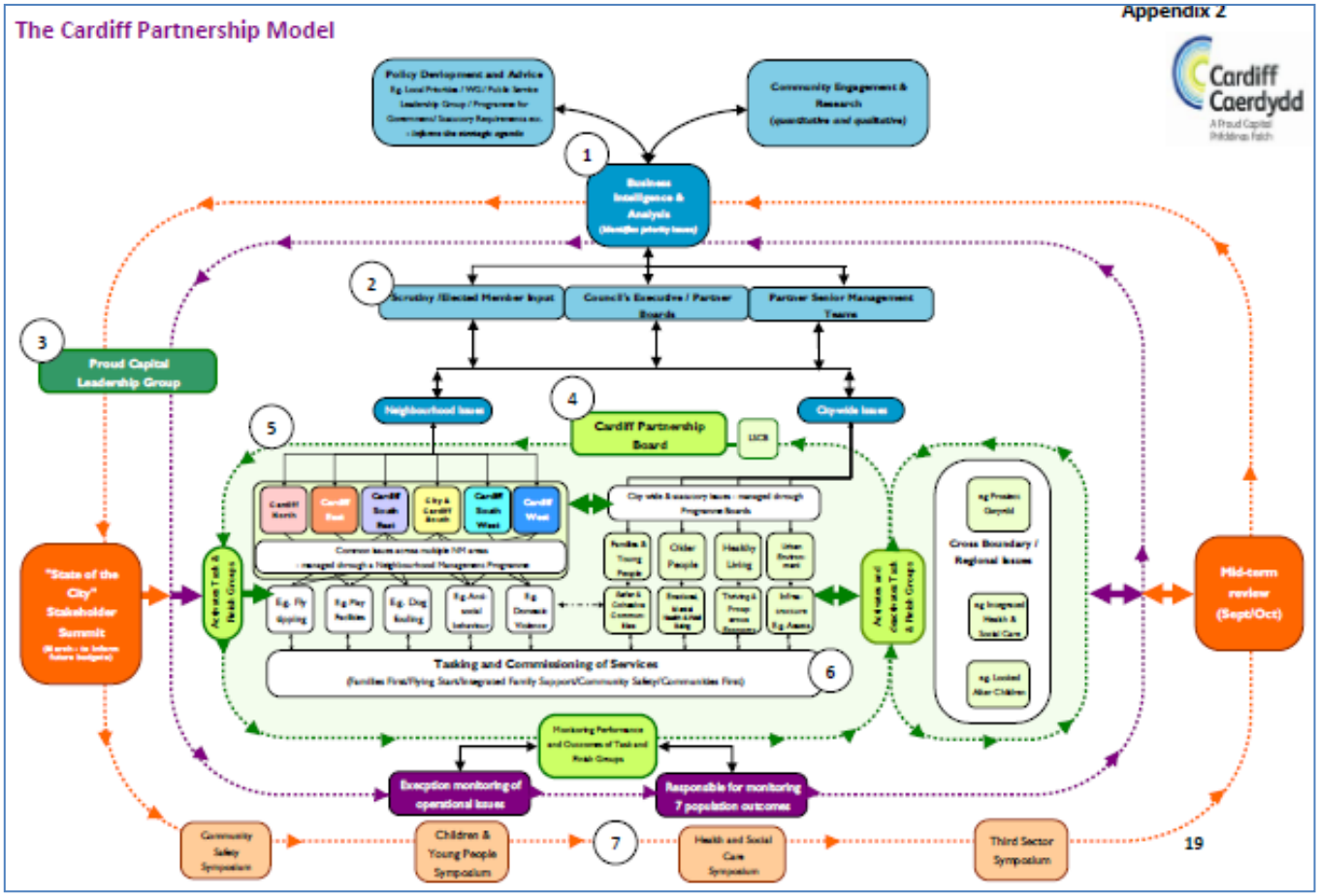
We are concerned that the drive for 'regionalisation' and collaboration can, sometimes, simply add yet another tier of bureaucracy and administration without adding value.

2.100 These problems appear to stem from a mixture of national and statutory requirements and local and ad-hoc initiatives. At the highest level, there has been some progress in consolidating strategic planning under the auspices of the LSB and its Single Integrated Plan. We also note that some local service boards have made good progress in simplifying and streamlining the partnership structures which underlie that, thus mitigating the effects of complex governance. In Cardiff, for instance, a partnership structure which, in 2008, looked like this



has now been streamlined. The result is a much more rational structure which is driven much more by outcomes and neighbourhoods in the city than by partnerships which exist for their own sake.[41]

[41] Cardiff Partnership Board 2010 *Developing integrated partnership working in Cardiff: A Case Study.* Reproduced with kind permission of Cardiff Partnership Board (produced in English only).



2.101 Rationalising structures in this way is a commitment in the Welsh Government's *Programme for Government* and the latest information shows that 10 LSBs have done so.[42] But this again appears to rely on local initiative and leadership rather than a common and national-level recognition of the problems here. The overall position remains highly and unjustifiably complex, often involving the same organisations meeting in different partnerships. For instance, promoting community safety in the South Wales Police area engages 15 different public bodies (7 local authorities, 3 health boards, 2 fire services, South Wales Police, the Probation Service and WAST). That may appear complex enough; nonetheless they have formed over 40 community safety-related partnerships in several tiers across different boundaries:

[42] Welsh Government *Programme for Government* performance report: http://wales.gov.uk/about/programmeforgov/publicservices/performance?code=TR035&lang=en



2.102 That came through strongly in the evidence we received. Many organisations believed that, despite national and local simplification initiatives, there were too many disparate collaborative ventures, sometimes with too many members; and that supporting them consumed excessive management capacity and incurred needless cost. This was a particular problem for organisations which operated on a larger regional or national scale, and thus had to support numerous local partnerships. For instance, the Association of Chief Police Officers noted that:

The four police forces currently engage with their partners in several ways… This has an impact on force resources and can result in a fragmented approach. By reducing the number of fora, bureaucracy may be reduced and greater consistency delivered… The current number of groups (often with different priorities) also means that it is difficult to tailor the police response to reflect these disparate priorities.

Public Health Wales agreed:

Current arrangements make… collaborative working, particularly between NHS and local authority organisations, extremely challenging for a number of reasons. These include: limited resources to support the various organisations challenges related to cross boundary/organisational working difficulties in relation to strategic planning and priority setting

As did Natural Resources Wales:

Collaboration does bring complexity and the number of partnerships is a challenge to senior managers' time, so a reduction in the number would be beneficial. This would

also allow a better strategic approach in some instances of service provision.

2.103 Local service-providers also noted problems here, particularly in the sense that the governance of partnership arrangements was not always well thought through:
The effect of…collaboration is to separate democratic accountability from the decision-making power. As a result, institutions are slow in moving towards collaboration arrangements as they do not allow sufficient transparency regarding roles, powers and responsibilities. (Gwynedd Council)
There is no doubt that collaboration makes governance and accountability more complex and difficult to get right. Provided that this is thought through when collaborative arrangements are put in place at the outset these can be overcome; but structures are not enough in themselves, there also has to be a cultural approach of no buck passing, cost shunting or blaming between partners. (Torfaen County Borough Council)
There can be no doubt that collaboration is making performance management and accountability more complex. (City and County of Swansea Council)
The lack of clarity around local accountability arrangements, with Local Service Boards operating inconsistently across Wales, creates another complexity which can be difficult to navigate. (NHS Confederation)
A negative by-product of the regional collaboration agenda has been a perception of multiplicities of structures (both in terms of services and governance) existing to oversee joint working and shared services. This has led to concerns about the blurring of democratic accountability, clarity of redress, variable scrutiny and much expense involved. (Welsh Local Government Association)

2.104 Others pointed to the effects of this more widely, including on users of public services. The Wales TUC stated that:
Many of the current partnership working arrangements have created confusion and added to the complexity for the workforce, the management and the user.
A member of the public from Pontypool noted that:
There needs to be better communication between bodies that have to work in partnership to deliver services.
And in her oral evidence, the Welsh Language Commissioner argued that:
An increasing number of public services are provided by partnerships or external commissioning arrangements, leading to doubts about accountability and responsibility.

2.105 As it is impossible to map all partnership arrangements, the actual cost of maintaining and attending them is equally unknown, but is bound to be considerable. One chief executive estimated that he spends 60% of his time in partnership meetings; if (as we have heard) those meetings are only sporadically productive, that is a significant burden for no great gain. The alternative, of fielding representatives who lack the

authority to take collaborative decisions, is no more attractive. Overall, the position mirrors the problems of complexity we described earlier in this chapter. The structures for partnership working, their governance arrangements and the interactions between them are based on uncontrolled and organic growth rather than on a strategic overview and a recognition of the need to keep structures and arrangements as simple as sustainably possible. This has created a need to manage a complex system rather than to improve services, meaning that a focus on citizen and community needs is too easily lost. Without a radical overhaul, it may create further management burdens and restrictions for organisations, and further confusion and loss of clarity for service-users.

2.106 Such an overhaul needs to fundamentally simplify partnership working and align it more closely to clear national and local priorities. It also needs to start from a clear understanding of when and where partnership working adds value, and how it will do so consistently and effectively. We suggest a simple set of criteria based on research we commissioned and experience from elsewhere.[43] Partnerships should be established if:

- **Organisations have shared strategic objectives which they cannot deliver alone**, or cannot deliver as efficiently or effectively alone**.** These should reflect an intimate understanding of citizens' and communities' needs, and of where current patterns of delivery were failing to meet them fully. They should also be derived from the new national performance framework which we propose in Chapter 6;
- **There is a clearly defined and agreed remit for the partnership in pursuing those outcomes**. This should include agreed milestones and targets for improving delivery and attaining the outcomes;
- **There are effective and mutually agreed means and mechanisms which the partnership can use**. These should include giving it the power to take binding decisions, with access to pooled budgets where appropriate; and providing it with adequate support to manage its business;
- **The interface between partnership decisions and members' own governance and accountability arrangements is effective and clearly understood**. In particular, partnership members should be empowered to act in that capacity. They should not have to refer matters back to their own organisations;
- **All members are equally committed to partnerships, and represented at a suitably senior level**. Representatives who are unable to contribute to decision-making add little to partnership working; indeed they can inadvertently obstruct it; and
- **There is no other partnership which already fulfils or could fulfil the same purpose**. This is self-explanatory but seemingly not observed in practice. The simple logistics of arranging, attending and supporting partnership meetings

[43] For instance, the King's Fund 2009 *Improving partnership working to reduce health inequalities*; Entwistle, T. research paper on collaboration commissioned for this report.

strongly demands having as few partnerships as is practically possible.

2.107 The start that has been made by some LSBs is promising but needs to be expanded and extended. This should be a priority, not an addition to each LSB's current agenda and work programme. **We therefore recommend that local partnership structures must be radically streamlined and made more effective. To do so:**

- **All local service boards (LSBs) must ensure that they themselves fulfil and manifest the criteria we set out for effective partnership working;**
- **All LSBs must maintain a single register of local partnerships;**
- **All LSBs must overhaul local partnership structures to bring them into line with these criteria and with the clearer national and local priority outcomes which we also propose. This should begin immediately and conclude within one year of those priorities being articulated. Partnerships which compound complexity or do not add value should be disbanded; and**
- **Single Integrated Plans must also reflect these outcomes and identify the main cross-sectoral pressures and pinch points which need to be addressed; they must set out clearly the actions which need to be undertaken, by whom and by when.**

Missed opportunities

2.108 Despite the abundance of collaboration under way, there is clear evidence of promising initiatives failing and opportunities not being taken. Several major proposals which had the potential to improve services across geographical or organisational boundaries have foundered recently. These have included:

- Proposals for a shared social services department between Blaenau Gwent and Caerphilly councils;
- Similar proposals between Powys and Ceredigion councils;
- Proposals for a shared highways service between Conwy and Denbighshire Councils;
- A major integration of shared 'back-office' services in local government in south-east wales; and
- Joint call handling and co-location between the fire and ambulance services in north Wales.

2.109 We heard evidence too of a wider reluctance to establish new collaborative ventures. For instance, the Society of Local Authority Chief Executives described the extreme difficulty in establishing common approaches to procuring and using ICT. The chief fire officer for North Wales drew our attention to the very slow progress with what appeared to be an eminently sensible proposal to co-locate fire and ambulance services in Wrexham. Another chief executive put it more bluntly:

If you do not legislate for [collaboration], it will not happen.[44]

2.110 In an ideal world, that should not be necessary. Organisations and their leaders should be perfectly capable of identifying and pursuing opportunities to work together to mutual benefit, without having to be compelled by law to do so. That they do not may reflect the lack of impact collaboration has had on outcomes and performance so far; or a wish not to complicate the delivery landscape and increase the burdens of managing it still further. Our conclusions about organisational culture in Chapter 5 are also relevant here. The net result is that the existing set of only sporadically effective partnership arrangements appears to be crowding out the establishment of potentially much more promising ones.

Shared Services

2.111 The sustained financial challenges and the pressure they create on front-line services mean that we are particularly concerned that the potential to integrate in the provision of support or 'back-office' services remains largely unrealised. Such services include human resource management, payroll services, transaction processing services, estate and fleet management, internal audit, procurement and legal services. As one local authority chief executive stated in evidence to us, there is nothing locally distinctive about any of these functions and no credible reason why they need to be discharged by organisations acting separately.[45]

2.112 There has been some progress in this area. The National Procurement Service, hosted by the Welsh Government, now co-ordinates procurement of standard goods and services across most of the Welsh public sector and is estimated to be capable of saving up to £25 million per year.[46] Other smaller-scale and local initiatives are also in place, such as the legal service which has been shared between six local authorities in south-west Wales since 2006. But beyond that, progress appears to have been slow and patchy in the local government sector in particular.

2.113 Progress has been much quicker in the National Health Service. Here, the NHS Shared Services Partnership manages and provides a comprehensive range of support to local health boards and trusts, including the following services:

- Employment and HR;
- Procurement;
- Facilities management;
- Legal services;
- Risk pooling and insurance;

[44] Oral evidence, Cwmbran, 19 September 2013.
[45] Oral evidence, Llandudno Junction, 12 August 2013
[46] Statement by the Finance Minister to the National Assembly for Wales, 12 March 2013

- Internal audit;
- Counter-fraud services;
- E-business services; and
- Payment and registration services for primary care providers.

2.114 Overall savings are hard to estimate precisely, but were stated to be over £100 million[47] in 2012-13. The NHS Shared Services Partnership also argued that creating an organisation that focused solely on delivering a good and efficient back office service for its partners was able to devote the capacity for improvement on those services rather than, for example, trying to simultaneously focus on improving social services, education and its own back-office functions. That in turn releases both financial and human resources to the front line.

2.115 This sort of development may have been easier in the NHS, which has long had more standardised processes and structures (such as pay scales and ICT systems) which are easier to bring together in this way, than other parts of the public sector. However, the underlying point remains. There is no reason in principle why these services should be provided separately by or for each organisation or each part of the public sector. We recognise the scale of the changes necessary to address that, and the risks of over-centralising provision, as did a major private-sector company with experience in this field in its evidence to us.[48] Nonetheless, the benefits in terms of financial savings, greater integration and increased efficiency across the public sector would be very considerable; and the experiences both of the National Procurement Service and the NHS Shared Services Partnership demonstrate that positive reform is entirely feasible.

2.116 **We therefore recommend that, building on the achievements of NHS Wales Shared Services Partnership, a single shared services operation must be established to provide back office functions and common services across the public sector by the end of the 2016-2017 financial year. The Welsh Government must co-ordinate and oversee its development and establishment.** This should build on the NHS Shared Services Partnership and the National Procurement Service, and clarify the relationship between the two, without duplicating the work of either.

The Welsh Government and collaboration

2.117 As we described at the start of this section, the drive for greater collaboration has been articulated at the highest levels of government. However, we heard consistent evidence that this intention has not always been translated into policies and

[47] NHS Wales Shared Services Partnership. *Annual Review 2012-13*
[48] Written evidence from arvato plc.

programmes which support effective collaboration.

2.118 Firstly, there was a sense that the Welsh Government treated collaboration as an end rather than a means. Evidence suggested that it sometimes simply exhorted local partners to collaborate without elaborating about how or to what ends. In giving evidence to the Assembly's Communities, Equality and Local Government Committee recently, one academic expert commented that:
The difficulty is that, generally, it seems to be have been a broad imperative [from Welsh Government] to collaborate across the piece… The Welsh Government could benefit from being more focused in the steer that it provides about where collaboration really matters.[49]
Some local authorities made similar points to us:
Along with other local authorities, we have had concerns that at one stage the mantra from Welsh Government was that collaboration must of itself be positive; and no opportunity should be missed. (Torfaen County Borough Council)
We are concerned that sometimes 'collaboration' is seen as an end in itself … . We believe that collaboration and joint working often has a critical role to play in delivering effective and efficient services, but that it is not the 'magic formula' which solves all problems in the way that it is sometimes portrayed and in some cases is counter-productive. (Carmarthenshire County Council)
Voluntary collaboration has been effective to an extent… but was never the singular solution to meet the growing gap in public service funding. (Flintshire County Council).

2.119 We have no reason to doubt these accounts, which certainly help to explain the growth in collaboration and partnership arrangements. However, that would only be so if local authorities and others complied with such broad exhortations. It is equally incumbent on local authorities and other organisations to challenge what they believe are inappropriate broad directions in national policy; and it is not helpful to allocate blame exclusively to one party or another.

2.120 Second and contrastingly, some argued that the Welsh Government was sometimes too prescriptive in how it expected local organisations to collaborate. We received strong personal representations from two chief executives about the level of detail in national policy requirements about the mechanisms for regional social services collaboration and in the school improvement consortia. A third claimed that qualifying for a grant designed to facilitate collaboration required his local authority to submit detailed operational records such as copies of staff timesheets. Underlying all three was a concern that the degree of micro-management involved both added to management burdens and diminished local capacity and willingness to make collaboration work. Without commenting on the detail of each case, we have some

[49] Dr Tom Entwistle, oral evidence to the CELG Committee, 2 October 2013

sympathy with such concerns.

2.121 Finally, some of our evidence suggested that the operation of Welsh Government policies and programmes could itself be fragmented; and that this could hinder effective collaboration. The Cardiff Partnership Board provided us with a detailed example of how its attempts to regenerate the Butetown area of the city had made only slow progress because of a

lack of co-ordination and dialogue between different directorates and funding streams within Welsh Government. [This meant] the separate funding applications, approval processes and tying up funding generally were extremely onerous.

Even Welsh Government-led attempts to promote collaboration seemed to some to be fragmented. Denbighshire County Council noted that,

There are still too many partnerships and despite best efforts locally to rationalise them, requirements for new ones seem to be proposed routinely to support WG policy initiatives.

The Wales TUC put this more bluntly:

The Welsh Government appears to have done everything it can to introduce 'streamlined' collaborative approaches in each of the public services – separately!

2.122 These concerns bear on other issues about the role of the Welsh Government, for instance its use of grants which we discussed earlier in this chapter. We are clear that the Welsh Government does have a role in facilitating and driving collaboration, but that it may not so far have discharged it consistently. In this, we agree with the Assembly's Communities, Equality and Local Government Committee, which recently recommended that the Welsh Government should drive collaboration more effectively, and should do so selectively, where there is evidence that it would have the most beneficial outcomes, rather than as an end in itself.[50] In particular, we believe the Welsh Government should:

- Develop and define the overall set of outcomes which organisations and partnerships should collaborate and deliver (see Chapter 6);
- Maintain the policy framework within which LSBs operate, and encourage them to streamline their own structures (see above);
- Ensure that law, funding and policy facilitates effective collaboration rather than hindering it;
- Use powers to drive collaboration (such as those proposed in the current Social Services Bill) robustly, where it is clear that they are necessary;
- Lead national-level collaborative programmes where appropriate (as under shared support services, above); and
- Work with the new local authorities we propose to establish appropriate arrangements for the delivery and planning of functions where a larger than local

[50] National Assembly for Wales Communities, Equality and Local Government Committee December 2013. *Inquiry into progress with local government collaboration.* p31

scale is still required – as set out in Chapter 3.

2.123 The Welsh Government should not:

- Treat collaboration as an end rather than a means, and/or promote it indiscriminately;
- Prescribe particular detailed models or mechanisms for collaboration where viable alternatives exist or could exist; or
- Require local partnerships to maintain multiple contacts with the Welsh Government, or secure multiple clearances, for the same collaborative programme.

Collaboration – our conclusions

2.124 The drive towards collaboration has several fundamental sources in Welsh policy and politics. However, underlying all of them is a belief that organisations working together can achieve more than they can working separately. In particular, collaboration has been heavily promoted as a means of meeting the complexity of individuals' needs and some of the problems of scale which we describe in Chapter 3.

2.125 While there are exceptions, we do not believe that collaboration has generally succeeded in this aim so far**. Rather than overcoming the complexity of relationships, boundaries and responsibilities which we described earlier, collaboration has in some cases added considerably to it by creating a further set of processes to be followed and relationships to be managed.** That in itself creates a significant distraction and burden that collaborating organisations can ill afford – and which almost certainly predisposes them against the fully committed engagement which any viable partnership requires. In that sense, collaboration has tended to compound the problems of complexity and under-capacity that it sought to solve. To quote Denbighshire County Council's response to us:
The complexity of dealing with partners within collaboration often means that the focus on improvement to the end user is blurred or lost by the time and energy invested in making sure that each partner's requirements are being met.

2.126 That position is clearly not sustainable. We have seen some positive evidence of change at both national and local levels, but this is patchy and hampered by both a reluctance among service-providers to commit to further collaborative ventures and a seemingly confused national-level approach to stimulating them.

2.127 Elsewhere in our report we propose changes to public sector structures and processes which ought themselves to reduce the extent of collaboration that is required. For instance, our proposals in Chapter 3 will mean less need to collaborate in order to secure delivery capacity, and our proposals in Chapter 6 should allow partnerships and

partnership structures to have clearer purposes and outcomes.

2.128 We are clear that, even with these reforms, there will always be a need for public-sector organisations to work together. The issues and challenges they seek to address are not and never will be neatly self-contained within organisational or geographical boundaries. But the changes we propose in this chapter and elsewhere are essential if the public sector is to approach collaboration consistently and effectively – and to avoid simply creating further and even more unsustainable complexity.

Chapter 3: Scale and Capability

Introduction

3.1 As we highlight in Chapter 1 there are a large number of public service providers in Wales and we believe that the current structure has several serious consequences for the governance and delivery of public services. In particular, it creates a very complicated network of relationships, dependencies and accountabilities, which we described in the Chapter 2.

3.2 Having so many public organisations to govern and deliver services in a small country also unavoidably raises the question of whether some of those organisations are themselves too small to provide consistently effective and well-run services. That is especially so in the context we described in our introduction: increasing demand for public services but falling resources to provide them now and for the next decade at least. This issue came up very often in our deliberations, and we have reviewed the evidence very carefully.

3.3 **We cannot stress too strongly that our analysis and conclusions on this issue are only part of our overall view of the Welsh public sector**. Questions of scale and restructuring may be among the more prominent and controversial in our remit, but that does not make them the most important. Review of and change to the public sector needs to happen in an integrated and coherent way, addressing all of the key themes we have examined. We strongly agree with Flintshire County Council's response to us, which stated that:

Structural reform is a solution in unison with other solutions… [it] is not a solution in itself. Past restructures of local government and health have been disruptive, costly and only partially successful. A measured and objective approach is needed with careful planning and transition.

3.4 The problems we have found across all of the themes we have examined are deep-seated and have many interrelated causes. They demand much more than redrawing boundaries or restructuring organisations, and **our recommendations on scale or any other matter will probably have no beneficial effect at all if pursued in isolation.** Indeed, all that would do is create needless cost and disruption.

3.5 By 'scale' we mean the size of an organisation and its capacity to plan strategically, and to manage, deliver or commission services. In detail, that will depend on matters such as staffing levels, skills, buildings, assets and funding decisions within each

service. However, within a given set of public sector organisations such as local authorities, the population served is a reasonable proxy for scale, as it largely determines the funding that the organisation receives. In many cases, we have used this as our relative measure of organisational scale.

3.6 Much of our analysis will concentrate on local government. This is not because we wish to single out local authorities for criticism. It is because many of the risks we identify necessarily arise more often in local authorities, with their broad remits, than in other organisations with narrower ones.

Problems of scale

3.7 Many organisations[51] argued in their evidence to us that the scale of an organisation does not directly determine its performance; and that other influences such as leadership and accountability were at least as, if not more, important.

3.8 We agree, and explore issues of governance, accountability, leadership and culture elsewhere in our report. It would be wrong to say that smaller organisations always provide worse services than large ones, or even that they tend to do so. Extensive academic research on this issue has, at least in recent times, failed to find any such direct relationship anywhere in the world.[52]

3.9 That is not surprising. As Chapter 6 notes, performance varies greatly across Wales. It appears to depend on many socio-economic, geographical and demographic factors, as well as on quality of leadership and management. It is impossible to disentangle any effect that scale might have from all of these influences to create a simple correlation between scale and measured performance.

3.10 However, the breadth and depth of capacity and particularly the resilience of smaller organisations can be a real challenge, as we will explore later in this chapter. We believe there are several areas where small scale creates critical and unacceptable risks to governance and service delivery. The most immediate evidence of this is the need for organisations to receive formal support from, or to be the subject of intervention by, the Welsh Government.

3.11 Support and intervention has overwhelmingly occurred in smaller local authorities. Of the smallest 11 local authorities, only 2 have not received any formal support or

[51] For instance, Conwy County Borough Council, Merthyr Tydfil County Borough Council, Pembrokeshire County Council, Rhondda Cynon Taff County Borough Council, City and County of Swansea Council, Torfaen County Borough Council; Powys and Vale of Glamorgan Local Service Boards, the Welsh Local Government Association, the Society of Local Authority Chief Executives, the Association of Directors of Social Services and the Bevan Commission.

[52] For an overview, see Walker, R. and Andrews, R. 2013 *Local Government Management and Performance: a Review of Evidence*. Journal of Public Administration Research and Theory, published online 31/10/13

intervention since 1999. By contrast, of the largest 11, only 3 have received support or intervention, mostly only for short periods and never on the most serious matters of corporate governance.

3.12 Support and intervention in smaller local authorities has also included some of the most fundamental and long-running recovery programmes in Wales or beyond – for instance in Blaenau Gwent and Anglesey. Furthermore, 5 of the smallest 6 local authorities are currently undergoing intervention because their education services have been deemed unacceptable. In her evidence to us, the Chief Inspector of Education and Training was quite clear that this was no coincidence, and that smaller local authorities generally struggled to provide adequate education services. The Hill Review of Education also reached this conclusion.

3.13 We believe there are several reasons why smaller organisations will tend to struggle in this way; we discuss these in detail below. A consistent theme running through all of these is the lack of **resilience** of smaller organisations. In an era where public services face unprecedented challenges, organisations must be resilient to internal and external risks and must be able to adapt to a changing environment.

Breadth of capacity

3.14 Smaller organisations may not have the expertise necessary to provide particular services. They may lack both the resources and the demand to employ specialists covering all the required areas of service. That means they may not be able to provide the full range of services well or at all.

3.15 It has long been recognised in the NHS, for instance, that not all hospitals or health boards can employ staff covering all medical disciplines at the highest levels of expertise. Specialist care is thus concentrated at regional and national level, for instance in Cancer Centres or Cardiac Surgery Units.

3.16 While the medical professions have a particularly high degree of specialisation and expertise in particular areas, they are by no means unique. Specialisation is a well-established feature of the public sector workforce, from teachers specialising in particular subjects to social workers specialising in caring for particular client groups with particular care needs. However, only larger organisations will have the resources and the service demand to be able to employ experts in all of these specialisms. Others must either rely on generalists to cover a range of specialist functions – which means that the quality of service suffers – or may not be able to provide the full range of services at all. In other words, some services demand specialist expertise which can only be provided on a relatively large scale; this will become even more so as funding pressures continue to bite. Research that we commissioned from Cardiff Business

School concluded that:

Good services require not just professional generalists but a range of specialists. A good school improvement service, for instance, will include people with expertise in literacy, numeracy, special needs and so forth… suggesting that there is a minimum efficient scale for these types of services.[53]

The Isle of Anglesey County Council – which is the third smallest in Wales in terms of population served – also noted this in its written evidence to us:

Capacity needs in a small organisation dictate the need for more specialist services to be arranged on a more regional/sub regional foot print.

3.17 Put simply, if services are delivered at a larger scale, they can specialise more, which in turn means they can meet citizens' needs better and/or offer a wider choice. For instance, in recent years many of Wales's further education colleges have merged, and some have taken over provision of post-16 education from school sixth forms. As the Chief Inspector of Education and Training noted in her evidence to us, this has created larger colleges which are able to offer a much wider range of courses to students than their smaller predecessor colleges or sixth forms ever could – simply because significant demand for such courses and the resources to meet them only exists at a larger scale. This same principle could and should be employed elsewhere in the public sector.

3.18 On the other hand, at a smaller scale there is less scope for specialisation. An independent advisory group reported to the Welsh Government in 2011 that many planning authorities lacked the expertise to deal with some technically complex planning applications, such as those relating to minerals or waste.[54] The Welsh Language Commissioner argued in her evidence to us that some small organisations did not have enough capacity or expertise to provide services through the medium of Welsh. The Public Services Ombudsman for Wales observed generally that "scale impinges on ability". Chwarae Teg and the Association of Directors of Social Services acknowledged the problems of recruiting sufficient specialists in the care sector – and the managing director of a regional education consortium noted that two small local authorities in his area did not have any full-time specialist staff supporting the improvement of literacy, despite the critical importance of this to educational attainment. As a member of the public who met us at the National Eisteddfod put it succinctly, "small local authorities can't provide specialist services and users fall

[53] Entwistle, T. 2013. Research paper on collaboration, produced for the Commission at our request.
[54] Independent Advisory Group 2011, *Towards a Welsh Planning Act: Ensuring the Planning System Delivers*, para. 3.33

through the cracks".

3.19 A similar pattern exists in smaller services. For instance:

- Local authorities are responsible for improving environmental health and controlling hazards in this field, for instance by inspecting and regulating businesses that sell food. This is a relatively small-scale service but one which has a key role in averting risks to public health; as the Directors of Public Protection Wales noted in their response to us, providing this service effectively also helps reduces the need for hospital treatment and minimises burdens on the NHS. Yet the Directors also noted that some local authorities were no longer able to provide a full service across all specialisms, nor were they able to maintain 24-hour cover; and
- All local authorities are responsible for maintaining public archives – both their own records and other papers relating to local history. Some local authorities have created joint archive services, while elsewhere each local authority provides a separate service. We understand that the joint services are widely regarded as among the best in the UK. They provide extensive and active outreach programmes for those with an interest in local history and genealogy and interact well with other services such as education and libraries. On the other hand, the separate services lack the capacity to do much more than act as custodians of documents; and several of them have been subject to scrutiny by the Public Record Office because they may be unable to discharge even this basic function effectively.

3.20 Some organisations have sought to address these problems by collaborating to increase their effective scale and share expertise, and several responses[55] explicitly noted the need to do so. In principle, that makes sense; and the Welsh Government has encouraged developments in this area. However, as we explained in the previous chapter, progress has often been painfully slow, and has in particular created problems of complexity and of reduced accountability at the same time as addressing problems of scale. In the meantime, those served by smaller organisations are at risk of getting a narrower range of lower-quality services than those served by larger ones, especially as financial constraints grow. We do not believe that is acceptable.

Depth of capacity

3.21 Smaller organisations may also lack the depth of capacity, particularly management capacity, to function effectively at both the strategic and operational levels within individual services and / or at the organisational level. This has two possible consequences.

[55] For instance those from Carmarthenshire Local Service Board; Denbighshire County Council; and Merthyr Tydfil County Borough Council.

3.22 Firstly, there may be a tendency for senior staff to be drawn into the day-to-day business of managing operational delivery, neglecting opportunities and needs for strategic change and improvement. For example, in Blaenau Gwent, the very small team responsible for overall management of the education service, despite working to the best of their ability, appeared to be unable or unwilling to confront systemic and chronic problems of under-performance, as Estyn found when placing the authority in special measures.[56]

3.23 Second, the opposite may happen. Managers – especially those responsible for more than one service – may be so preoccupied with working across those services, or with managing relationships with politicians and other stakeholders, that pressing weaknesses in front-line delivery are neglected or not addressed with sufficient priority. In Anglesey, for example, senior management responsibilities for child safeguarding became unclear, meaning that there was "an absence of corporate presence within the operational aspects of children's services" and that serious failings arose as a result.[57]

3.24 These weaknesses may of course also arise in larger organisations. But we agree with the Auditor General for Wales, who in his evidence to us argued persuasively that the risks are greater in smaller ones with less management capacity. We do not believe that those risks are acceptable, given the challenges that public service organisations will face in the coming years.

3.25 A particularly stark example of this arises in relation to town and community councils. While some of these are substantial organisations, over half of the 736 such councils in Wales have a budget of less than £30,000 per year; and over a quarter have a budget under £10,000. These smaller councils will generally only employ a part-time clerk who is responsible for managing the entire business of the council without any significant support. In such circumstances, it is not surprising that small community councils are much more likely to fail to apply sound financial management practices, and to have their accounts qualified by their auditor as a result.[58] A solitary clerk may perhaps have too many tasks and responsibilities to attend to them all with equal effectiveness.

3.26 This lack of depth of capacity may also be marked in small services within small organisations, where the expertise and resources are so limited that these services are

[56] Estyn May 2011 *A report on the quality of local authority education services for children and young people in Blaenau Gwent County Borough Council*

[57] CSSIW March 2012 *Children's Safeguarding Inspection: Isle of Anglesey County Council*. p9

[58] Wales Audit Office 2013 *Improving Financial Management and Governance: Issues from the Audit of Community Council Accounts 2011-12*. A 'qualification' on a set of accounts means that the auditor has either concluded that they are materially inaccurate, or that the underlying financial systems and records were not robust enough for him or her to form a reliable view. In both cases this necessarily implies poor financial management and governance within the organisation.

not sustainable.

3.27 For instance, all 25 planning authorities in Wales (that is, the 22 local authorities and the 3 National Park authorities) are responsible for conserving historic buildings in their areas. This is highly specialised and technical work requiring knowledge of planning, local history, architecture and archaeology; it is carried out by conservation officers within each authority. However, a recent Welsh Government-sponsored survey[59] found that there were only 48 conservation officers in Wales. 16 of the 25 planning authorities had only one such officer, and none had more than three.

3.28 Severe risks arise from relying on such small numbers of staff. It may take only one person to retire, move or suffer from long-term illness to leave no-one able to provide the service at all. If these services were provided on a larger scale by larger teams of staff, these risks would reduce markedly. While such services may not have the highest profile, they are still important statutory responsibilities. It is unacceptable for them to be placed at such risk by being delivered on such a small scale.

Leadership and recruitment

3.29 In Chapter 5, we consider issues of leadership and recruitment in detail, and make recommendations for improving the leadership of public services in Wales. Leading, managing and delivering public services is a significant challenge in any organisation. However, those challenges appear to be magnified in smaller organisations, which may experience particular problems. Small organisations may find it harder to recruit and retain high-calibre leaders, managers and professionals, which further adds to the problems of breadth and depth of capacity. All of the main regulators raised this with us. We heard of one small local authority which has had seven directors of education in the past seven years. It is perhaps unsurprising that the local authority is currently in special measures.

3.30 This may be because smaller organisations offer less attractive career prospects for leaders, managers and professionals than larger ones. As the Hill Review of education noted, it is difficult for a director of education to enhance his or her reputation by managing a service that includes only a handful of secondary schools. It has also been suggested to us that senior staff within smaller organisations have to cover a multitude of different areas, as the organisations are too small to be able to sustain specialised senior positions. The Care Council for Wales also saw problems in attracting specialist professionals to some social care roles. Equally, the Wales Audit Office has found evidence of problems in recruiting high-calibre ICT managers.[60] A member of the public from Chepstow observed in their written evidence to us that,

[59] Hyder Consulting (UK) Limited 2013. *Heritage Bill for Wales –Options for the Delivery of Local Authority Historic Environment Conservation Services in Wales*. Welsh Government.

[60] WAO Dec ember 2012. *Use of technology to support improvement and efficiency in local government*

"most local authorities do not have a critical mass which means they differ in their performance and provide different career opportunities". We explore these issues in more depth in Chapter 5.

3.31 We do not doubt that some of our smaller organisations enjoy very high-quality leadership. Some of them displayed some of the most telling and innovative approaches we have seen. Even where that happens though, smaller organisations are still at greater risk. As the Auditor General and the Public Services Ombudsman for Wales pointed out to us, having fewer senior staff in an organisation magnifies the risk of any of them leaving. There are several examples of organisations where continued good performance appears to depend heavily on a given leader or chief executive remaining in office, and where there is probably not enough supporting management capacity to manage any vacancies and succession arrangements well. Service governance and delivery cannot be left to chance in this way.

Costs and overheads

3.32 The phenomenon of economies of scale – whereby larger organisations incur proportionately lower costs than small ones – has of course been known to economists for hundreds of years. It clearly exists in many parts of the Welsh public sector. The two most striking instances of this consist of corporate overheads incurred by each organisation and the unit costs of delivering certain services.

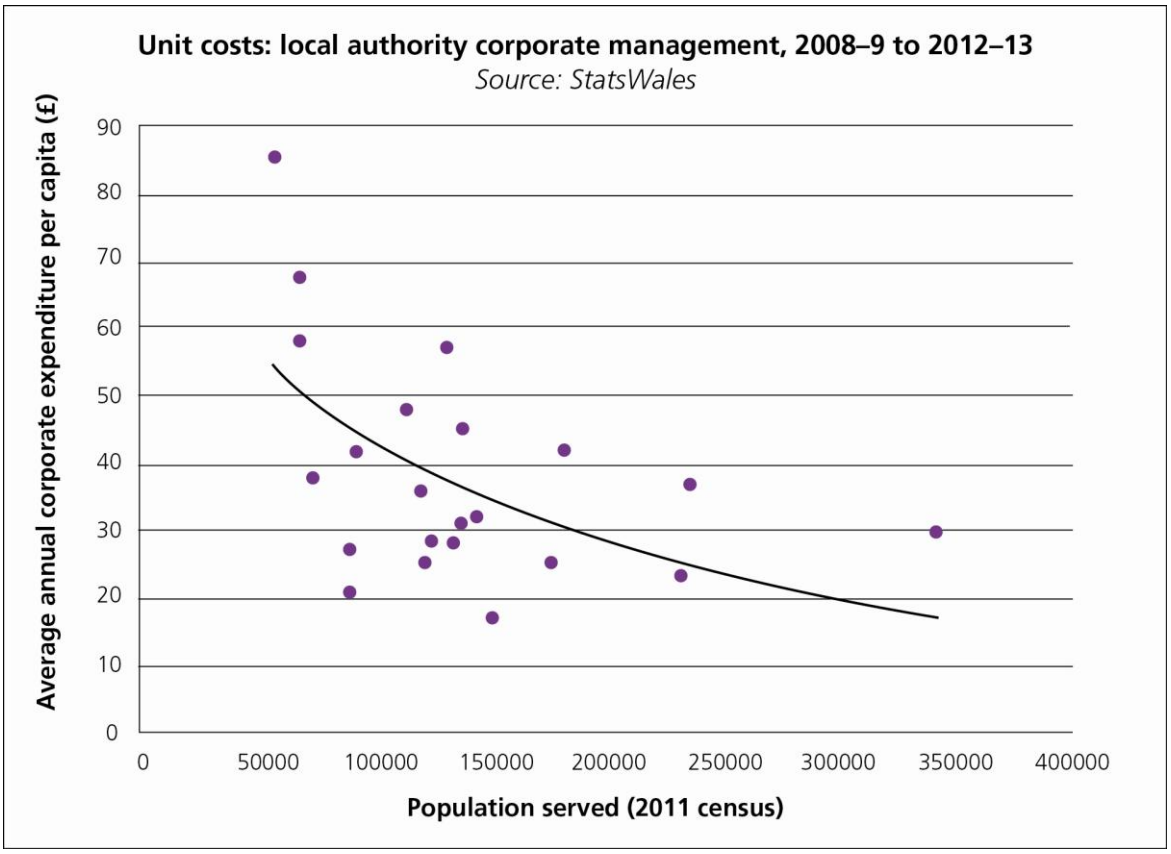
3.33 In local government, the costs of central corporate and political management – display clear evidence of economies of scale. They are markedly lower in proportion to overall expenditure in large organisations than in smaller ones.

3.34 For instance, the chart below shows the costs of corporate and democratic management in local authorities per head of population served compared to total population served. There is a clear negative relationship, with smaller local authorities incurring much higher costs per head than large ones. Over the last five years[61] the corporate and democratic management of Merthyr Tydfil County Borough Council cost on average over £85 per year for every resident of the county borough, and in Blaenau Gwent almost £68. The equivalent cost in Cardiff was just over £29, and in Rhondda Cynon Taf only just over £23. Put another way, the largest authorities have been able to spend around £50 more per person (or around £10-15 million each every year) on front-line services than the smallest ones, simply as a result of economies of scale in corporate management. If every local authority were able to reduce its corporate costs to the level of those in Rhondda Cynon Taf, the total saving across

[61] These costs can be skewed in particular years by, for instance, recruitment or redundancy costs for senior staff, so a 5-year average has been used.

Wales would be in the order of £38 million per year.

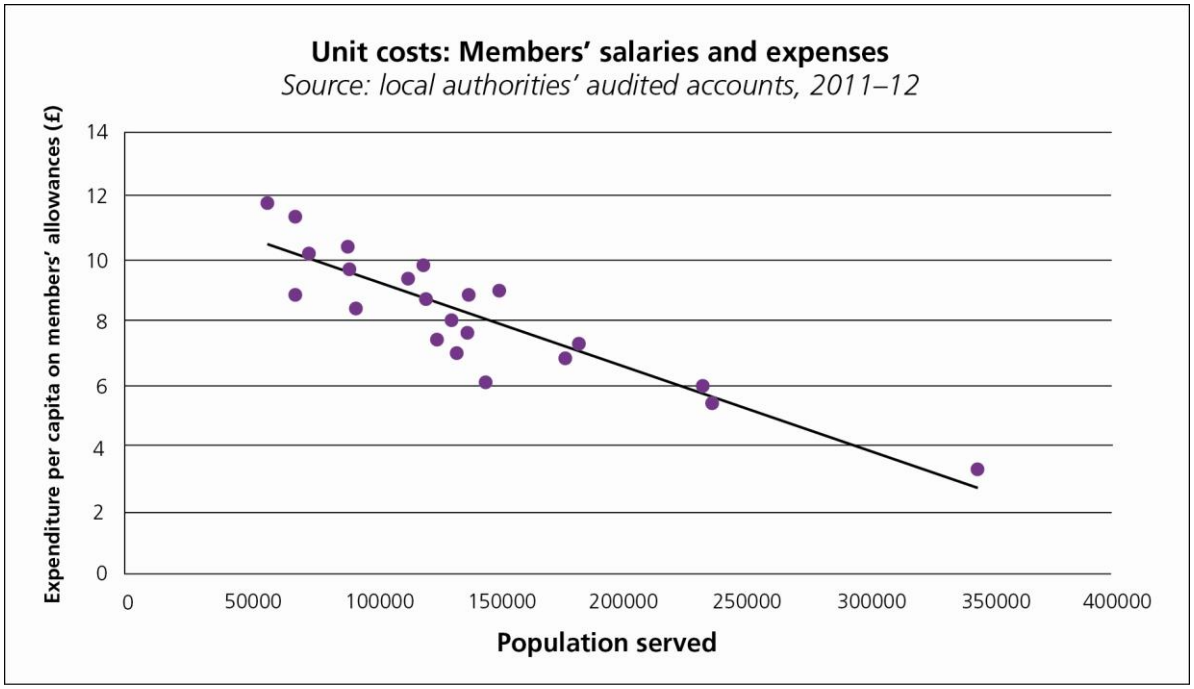
3.35 That is corroborated by data from elsewhere. The average corporate and democratic management cost per capita in English unitary authorities (which are on average significantly larger than Welsh ones) was £24.58 in 2012-13: that is, comparable with the lowest cost per head in Wales. These costs also show scale effects: in Cornwall (the most populous English unitary authority, with a population almost four times that of the average Welsh local authority), corporate costs per capita were only £14; whereas in Rutland (the least populous aside from the special case of the Scilly Isles), they were £51. This may have been affected by the greater cuts to English local authority budgets, but the scale effect and the overall difference are still marked.[62]



3.36 A particularly marked subset of these corporate costs relates to councillors' expenses and salaries. All councillors are entitled to claim these, but the costs per capita of doing so relates to the size of the population served. In Merthyr Tydfil, for instance, the council spent £11.76 for every citizen of the county borough on members' salaries and expenses in 2011-12. In Cardiff the equivalent figure was £3.30. The reason for this is that the number of members of a council does not increase exactly in proportion with the population it serves: there is a maximum size (currently 75 members) which applies regardless of population. Cardiff (75 councillors) has just

[62] All English data derived from Department of Communities and Local Government *Local authority revenue and financing statistics* https://www.gov.uk/government/collections/local-authority-revenue-expenditure-and-financing

over twice the membership of Merthyr Tydfil (33), but almost six times the population.



3.37 Corporate management costs in local government are, though, a very small proportion of overall expenditure: just over 2% in recent years. It is difficult to directly compare costs for organisations that deliver different ranges of services. However by way of illustration, the proportion is even lower in the fire service: the three fire and rescue authorities, which serve an average population of over a million people each, spend under 1% of their budgets on corporate management. In the National Park authorities (which serve an average population of under 30,000), the figure is almost 15%. Figures for town and community councils – which generally serve much smaller populations – are not generally available. However, the largest such council in Wales has budgeted for 30.7% of its income to be spent on 'management and support services' in 2013-14.[63] Furthermore, research commissioned by the Welsh Government found that overheads such as the clerk's salary, insurance, audit and office costs were consistently the largest expenditure items for community councils of all sizes.[64]

3.38 Overall, it appears that in small-scale organisations proportionately significant sums of money have to be committed to corporate management, and away from front-line services. We believe that is unsustainable. It is also the case that smaller local authorities' budgets will be more dominated by expenditure on major 'ring-fenced'

[63] Barry Town Council budget for 2013/14: http://barrytowncouncil.gov.uk/Documents/Uploaded/65-Document-Budget-2013-2014.pdf

[64] Woods, M. January 2014. *Developing a Comprehensive Understanding of Community and Town Councils in Wales*, Welsh Government, p35

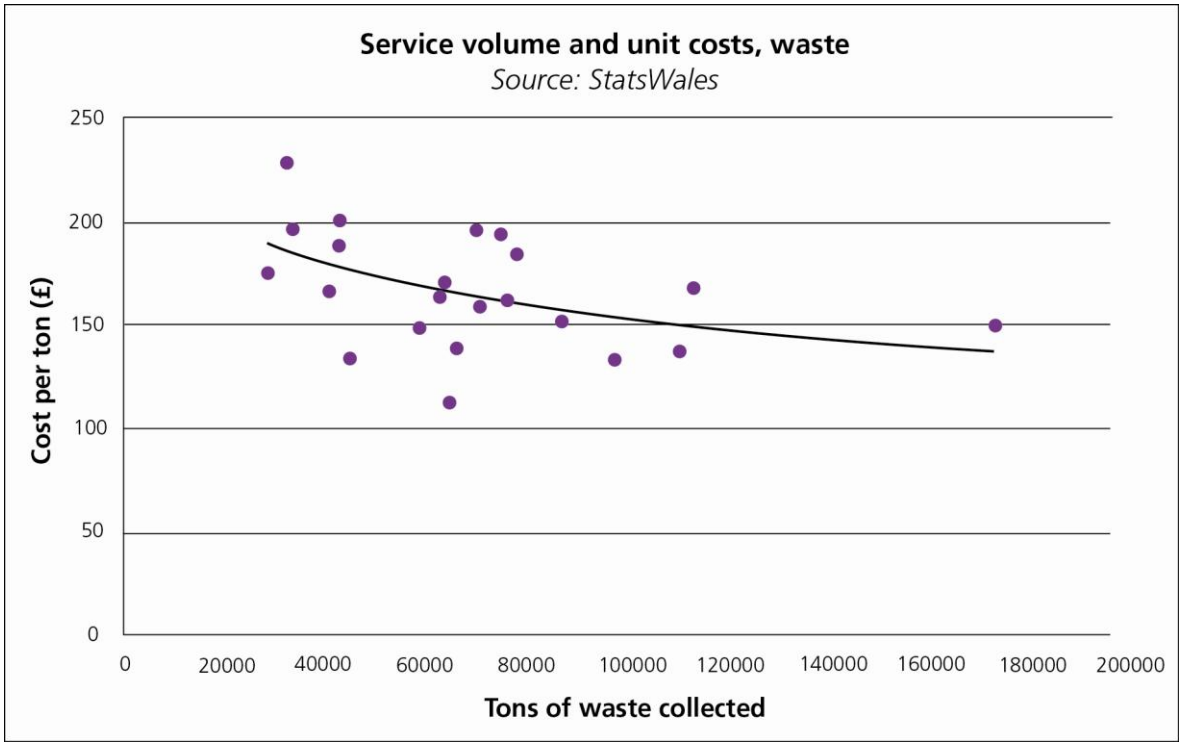
functions, such as education and social care. This is bound to limit the resilience and flexibility of those authorities to cope with change. As Denbighshire County Council put it in its evidence to us, "In the current financial context we need to look at reducing the number of small organisations and creating larger ones."

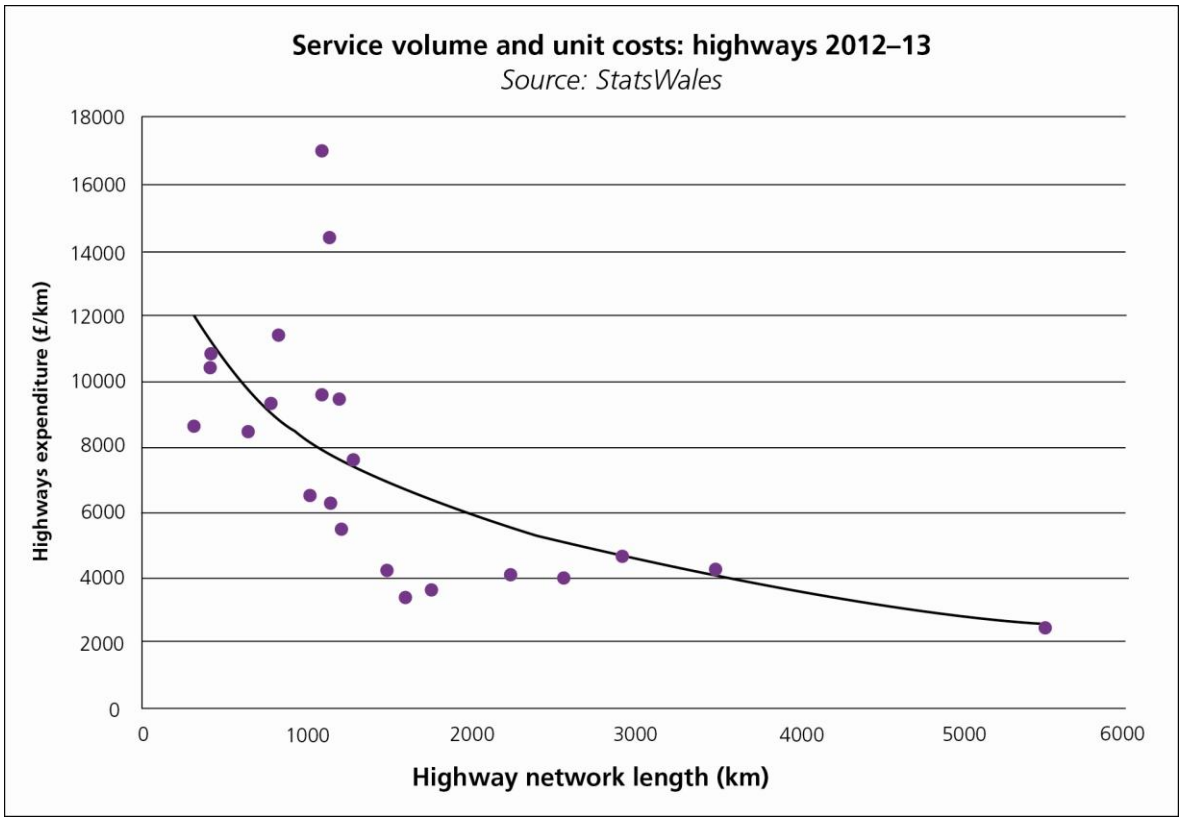
3.39 Economies of scale also exist in the unit costs of particular services. These effects are not universal as the costs of service provision may vary for reasons that have nothing to do with the scale of the organisation providing them. For instance the cost of services such as education and health will depend heavily on the demographic and socio-economic characteristics of the area, and the demand for particular services that this generates. However, for some services, demographic or socio-economic variations are either insignificant or predictable. As the Society of Local Authority Chief Executives noted in its evidence to us, there should be significant economies of scale in such 'transactional' services, where one instance of service provision is much like another. Examining the data about service volumes and unit costs reveals several significant examples:

- **Collecting and disposing of waste** consists of largely standard processes wherever it takes place. While there are some variations in collection methods the core functions of collecting and disposing of waste, either by reusing, recycling, composting, incinerating or landfilling, are common to all service-providers. Yet there are very large variations in the unit costs of doing so. Swansea – which collects the third highest volume of waste – does so at a cost of £138 per ton. In Blaenau Gwent, which collects the third lowest volume of waste, the cost is £228 per ton. If the costs per ton across Wales were as low as they are in Swansea, the saving would be around £24 million per year;
- **Highway maintenance** is equally a standard technical task. The cost of doing so will vary depending on the type of road and the level of traffic, and will be generally lower for rural roads which are relatively little used. Nonetheless, Powys has by far the longest road network in Wales, which cost £2,559 per kilometre to maintain in 2012-13. In neighbouring Ceredigion, which is a similarly rural area but with a much shorter road network, the cost was £4,115 per kilometre, or 61% higher. If Ceredigion reduced its costs to the level of those in Powys, it would save over £3.5 million per year. Likewise, maintaining Blaenau Gwent's relatively small road network costs over £4,000 per kilometre more than maintaining a much larger road network in Rhondda Cynon Taf; if Blaenau Gwent's costs were the same per kilometre as those in Rhondda Cynon Taf it would save around £1.5 million. Savings across Wales are hard to estimate because of the different inherent costs of maintaining urban and rural roads; but they are likely to be very significant.

3.40 The graphs below show these relationships graphically. In each case it is clear that economies of scale are at work: as service volume increases, unit costs decrease. Of course, that does not mean that savings would arise automatically if the volume of each service were to be increased. But there are clear scale effects here, and

significant savings that could be realised if unit costs were reduced to around the lowest levels that are currently attained.



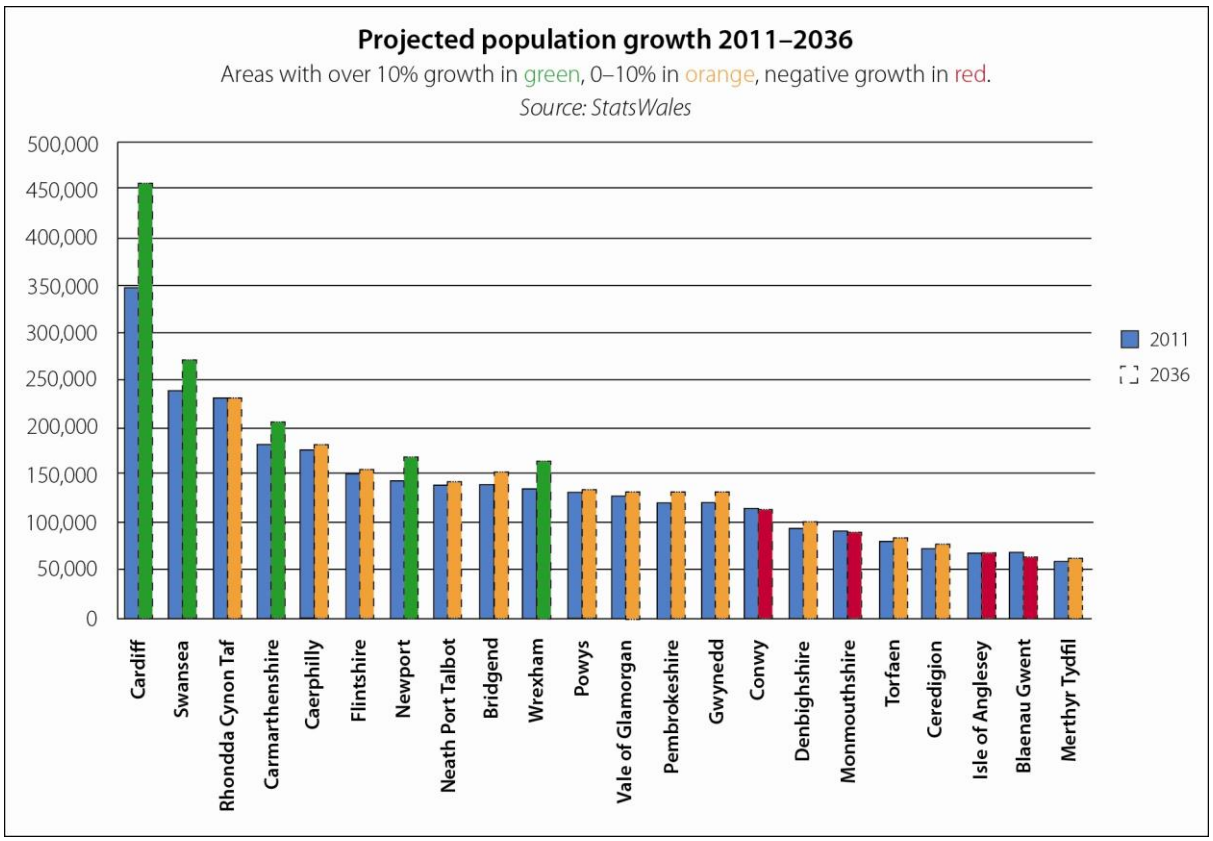


3.41 There are very probably economies of scale to be realised in other services too. For instance, costs per visit in the library service are typically twice as high in the smallest local authorities than in the largest. Education costs per pupil can vary by more than £1,000 per year between the largest and smallest local authorities. We cannot estimate the exact savings with any certainty because of the difficulty in accounting for the other drivers of cost in such services on the information available. But overall there is clear evidence that larger authorities spend proportionality less money on corporate overheads and have lower unit costs for certain services. The extreme pressure on service budgets requires that these potential savings are realised.

Demographic trends

3.42 Chapter 1 outlined some of the demographic changes that public services in Wales are facing, and will continue to face in the longer term. In particular, our population is already relatively old and getting older, which will increase the demand for health and social services in particular. That presents a stern challenge to many public organisations.

3.43 These phenomena are, though, not uniform across Wales. Population projections for the next 25 years show that some local authority areas will increase significantly in population, whereas others will stagnate or even shrink. As the chart below shows, this pattern largely reflects the existing populations of these areas: the population of already-populous places like Cardiff, Swansea and Carmarthenshire will grow significantly, while in less populous places like Monmouthshire, Blaenau Gwent and Anglesey it is predicted to fall. This decline in population in turn reflects even higher relative ageing in these places: the indigenous population will grow older without being balanced by an increase in birth-rate or inward migration.



3.44 The consequences of these projections are obvious. Several smaller local authorities will be even more exposed to the pressures of an ageing population than many larger ones. In particular, demand for services such as social care are likely to increase disproportionately. At the same time, a declining population will mean an even lower level of resources to meet that demand: overall population both drives the amount of money that can be raised from council tax and is a key factor in calculating the value of the revenue support grant and other grants from the Welsh Government. In short, the extra challenges that some smaller organisations face now will become even greater in the future.

Flexibility and innovation

3.45 The risks we have described so far mean that small organisations often:

- Lack both the depth of strategic and delivery capacity, and the range of expertise to provide services well or at all;
- Struggle to attract and retain high-calibre leaders and professionals;
- Incur high corporate overheads and unit costs; and
- In some cases, serve a population which, over the next 20-25 years, will both decline and grow significantly older than in the rest of Wales.

3.46 As a result, it appears to us that the focus in smaller organisations tends to be on simply providing day-to-day services in established ways. There can be neither the

expertise, nor the funds, nor the leadership to do anything else. In particular, we agree with the main regulators that smaller organisations may lack the flexibility to anticipate and respond to emerging pressures; and to do so effectively and with the necessary pace and consistency. They can also lack the vision or capacity to develop and adopt innovative approaches to service provision and management. That is not a criticism of those involved: it is simply that when managing routine delivery is such a challenge, it is hard to find the space or resource to do anything more strategic or long-term.

3.47 The Care Council for Wales summed this up well in its evidence to us:

In planning and delivery of social care services the existing scale of authorities can result in there being primarily an operational focus with in some cases a limited capacity for strategic approaches. The scale can also result in either duplication of activity within relatively small geographical areas or difficulties in attracting skilled professionals to undertake some roles […]public services need to be more responsive and less bureaucratic with the capacity to plan and work strategically.

3.48 This is not a criticism of small organisations; and it would be wholly unfair and counter-productive simply to urge them to try harder. The point is that they face more demands than they can reasonably manage within the resources and capacity at their disposal; and that is bound to get worse.

3.49 As the twin challenges of increasing demand and decreasing real resources become more severe, it will be increasingly essential for service-providers to act flexibly and to innovate in how they manage and deliver services. We do not believe that many of our smaller organisations will be able to do this: the pressure on them to complete the 'day job' is just too great and the risk in trying innovative approaches is therefore higher. It follows that those organisations will be less able or perhaps unable to confront those challenges successfully. Radical reform is urgently needed to alleviate that risk.

System-wide effects

3.50 Our analysis so far has focused largely on the problems and risks that small organisations themselves tend to face. They are critical and must be alleviated. However, there are also reasons for concluding that these problems and risks cause wider problems for the public sector as a whole.

3.51 Firstly, the existence of a large number of small organisations increases competition between them to secure the best leaders, managers and professionals, and overall means that talent within the Welsh public sector is spread too thinly. While, as we

said above, recruitment may be a particular problem for small organisations, the wider problems can and do affect the whole sector. We explore this more in Chapter 5.

3.52 Second, as we noted above, small organisations often seek to collaborate so as to secure the capacity and expertise they need; this is part of a wider pattern of extensive collaboration, which we explored in the previous chapter. But we heard evidence both that smaller organisations often find it harder to collaborate effectively, due to the need to devote significant management capacity to this, and that national- and regional-level organisations find collaborating with so many other organisations difficult. For instance, Public Health Wales argued in its evidence to us that having 22 local authorities means that *collaborative working, particularly between NHS and local authority organisations, [is] extremely challenging for a number of reasons. These include: limited resources to support the various organisations challenges related to cross boundary/organisational working* [and] *difficulties in relation to strategic planning and priority setting*.
The Chief Fire Officer for South Wales also argued in his oral evidence to us that having to work with 10 local authorities in the South Wales fire area was an excessive burden.

3.53 In other words, the problems of scale are problems for the whole public sector. They are not confined just to the smaller organisations that directly face the risks we have described. Change is therefore not just a matter of enlarging small organisations. It must create capacity and make better use of expertise across all public sector organisations, large and small.

International comparisons

3.54 We are aware that, in comparison with other countries, Wales has relatively few public service organisations – as for that matter do England and Scotland. This point has been made particularly in the context of the number and size of local authorities.[65] As the table below shows, many other countries appear to have far higher numbers of much smaller local authorities.

Country	Population (millions)	Number of local authorities[66]	Number of tiers	Average population
Wales	***3.011***	***22***	***1***	***136,863***
Wales including community councils	*3,011*	*758*	*1 or 2*	*3,972*

[65] For instance in the Welsh Local Government Association's written evidence to us.
[66] Including multiple tiers of local government where they exist, but not semi-autonomous regional structures in federal countries, such as Australian states, Canadian provinces or German *Länder*; or administrative divisions of central governments, such as Irish regions or French *cantons*.

Country	Population (millions)	Number of local authorities[66]	Number of tiers	Average population
England	52.060	351	1 or 2	148,319
England including parish councils	*52.060*	*9,034 (est.)*	*1, 2 or 3*	*5,763*
Scotland	5.196	32	1	162,388
Northern Ireland	1.788	26	1	68,769
Ireland	4.576	34	1	134,588
France	65.822	36,799	3	1,789
Italy	59.685	8,230	3	7,252
Germany	80.220	12,570	1 or 2	6,382
Belgium	11.036	589	3	18,737
Netherlands	16.789	420	2	39,973
Denmark	5.569	103	2	54,067
Finland	5.378	339	2	15,864
Sweden	9.360	311	2	30,096
Canada	35.236	3,700 (est.)	1 or 2	9,523
South Africa	52.982	278	1 or 2	190,582
Australia	21.263	565	1	37,633
New Zealand	4.213	78	2	54,013

3.55 There is thus a superficially attractive argument that, if small organisations can thrive in these countries, they could also do so in Wales; and that there is thus no set of risks to address and no case for change.

3.56 We believe this argument is simplistic, for several reasons. Most simply, the functions that each tier of government provides vary from one country to the next. It is rare for local government elsewhere to be responsible for the wide range of services delivered by Welsh local authorities. In Ireland and Australia, for example, the major personal services like education and social services are functions of national or state governments, not local government. Likewise, French *communes* and Italian *comuni* are mostly responsible for only minor local services; more significant services are delivered by higher, much larger tiers of local or regional government. In other countries like Denmark and Finland, major services are delivered locally but planned and overseen by a higher regional tier. In Finland, for example, frontline delivery falls

to 320 municipalities – but all must be members of their regional council of which there are only 19; those councils are charged with strategic planning and oversight.[67] Smaller organisations are clearly better able to cope with a smaller range of services, and/or with purely operational rather than strategic functions: many of the risks we have described around capacity and expertise would be greatly reduced.

3.57 That variation in the functions of different tiers of government also means simple comparisons of numbers and average populations are misleading. If one counts only the 22 unitary authorities in Wales then each authority serves an average population of almost 137,000. But this ignores the fact that town and community councils in Wales also discharge some local functions, not unlike their French and Italian equivalents. As the table shows, if they were included in the number of Welsh local authorities, the average population served would fall to under 4,000 – lower than every country in the table except France.

3.58 Furthermore, the public service structures that exist in each country are unavoidably a product of that country's political history and culture. They cannot simply be transplanted elsewhere. Three examples illustrate this point.

- **Germany** has 16 *Länder* (regional governments); 429 *Landkreise* and *Kreisfreie Städte* (rural and urban district governments); and 12,141 *Gemeinden* (municipal authorities). Each tier has its autonomy and responsibilities set out in the German *Grundgesetz* or Basic Law[68], and higher tiers – including the Federal Government – are not permitted to infringe them. It is common for *Gemeinden* to band together for the purposes of service delivery, and the *Grundgesetz* grants such combinations equal status. Historically, this structure derives from the deliberate imposition on Germany of highly pluralistic governance structures by the victorious allies after World War Two;
- An even more extreme example is **France**, which has 22 *régions*, 96 *départements* (county-sized governments) and 36,681 *communes* (municipalities). While the mean population of a commune is around 1,800 people, this is heavily skewed by the single *communes* serving Paris and other major cities. The median population is around 380 people; there are currently six *communes* with no population at all (representing villages destroyed in wartime) and a further three with a population under 10. As in Germany, associations of local *communes* are widespread and legally recognised, allowing them to generate critical mass for service delivery.[69]

[67] http://www.localfinland.fi/en/authorities/regional-councils/Pages/default.aspx - the (English-language) website of the Association of Finnish Local and Regional Authorities

[68] For instance, Article 28 of the *Grundgesetz* provides that "Municipalities must be guaranteed the right to regulate all local affairs on their own responsibility, within the limits prescribed by the laws." (Official translation of the German text).

[69] The *Loi Chevènement* of 1999 gives formal status and separate powers to three forms of association between communes: *communautés de communes* (in rural areas), *communautés d'agglomeration* (in medium-sized towns) and *communautés urbaines* (in urban areas). It also encouraged their formation and set a minimum population size for the latter two.

Again, this structure is rooted in the specifics of French history: much of it derives from Napoléon's aim of uniting the country by weakening regional loyalties;

- In **Denmark** there are 5 *regioner* (regions) and 98 *kommuner* (municipalities). As in other Scandinavian countries, relationships between them and central government reflect a long tradition of co-operation and decentralisation: it is common for lower tiers to discharge functions delegated to them by higher ones on the basis that this brings delivery closer to Danish citizens while retaining strategic oversight on a sufficiently large scale. However, even here the problems of smallness have been recognised. In 2007 the Danish government undertook a major reform, which reduced the number of *kommuner* from 272 to 98, and abolished the intermediate tier of 13 *amter* (counties). It is notable that the commission that the Danish government established to consider reform identified substantially the same problems of expertise and cost in small organisations as we have identified above.[70]

3.59 In all of these cases, the historical circumstances are alien to Wales, and have now been embedded by years of experience. These structures may well work effectively in Germany, France and Denmark; but they clearly cannot just be adopted wholesale here, as they reflect a completely different history and set of values. As we note, though, there have been moves in Germany and France to reduce the number of *Gemeinden* and *communes* through voluntary association, and reforms in Denmark have been more sweeping. The Netherlands has also embarked on a similar reform programme. These and similar reforms appear to have been motivated by the same risks of small scale we have identified, and the same underlying pressures of austerity and demographic change as underpin our report.[71]

3.60 By contrast, the history and values of local government in Wales (and, largely, the UK as a whole) emphasises local autonomy in decision-making and democratic accountability for delivery. Local authorities have long been responsible for major personal and community services, and while they have often collaborated with each other, Wales has neither the traditions of permanent free association between authorities (as in Germany and France) or of inter-tier co-operation and delegation (as in Denmark). This autonomy and accountability is of course commonly and rightly asserted by local government leaders, who wish to secure and maintain the freedom and resourcing to discharge the mandates that the electorate gives them.

3.61 We believe such ambitions are completely justified, and reflect values and principles that are well established here. But we do not believe that our current structures support them. If local authorities are to discharge those values of local autonomy and

[70] See the 2004 *Strukturkommissionens rapport* (Report of the Commission on Administrative Structure). An official translation by the Danish *Økonomi og Indenrigsministeriet* (Ministry of the Economy and the Interior) is available at http://english.oim.dk/media/95330/recommendation-commission-adm-structure.pdf

[71] See Wallace, J. *et al.* May 2013 *Weathering the storm? A look at small countries' public services in times of austerity*. Carnegie UK Trust / Wales Public Services 2025

accountability effectively, they must be capable of doing so. That looks increasingly unlikely under the current structures, and in light of the risks that small local authorities in particular face. Local authorities have increasingly found that they have to collaborate in an attempt to secure the expertise and resources they need even to provide basic services sustainably. They are increasingly the subject of support and intervention from central government – a trend we believe will continue if action is not taken. Neither allows them to discharge their democratic responsibilities autonomously. In other words, the system as it stands does not adequately sustain these underlying values and principles of autonomy and accountability. Comparisons with different traditions elsewhere do not help in overcoming that point.

Problems of scale - conclusions

3.62 We have identified a number of risks to which we believe smaller organisations are particularly exposed. They may or may not materialise in any given organisation at any given time; there are certainly examples of small organisations which are well-managed and provide consistently good services. But at the same time these risks are real and severe, and if they are not alleviated we have grave doubts that many of our public service organisations will be able to cope with the challenges of austerity and demographic change they will increasingly face. We have already seen many of them become subject to intervention; in our view that is only a foretaste of what is to come if those risks are not addressed.

3.63 As well as the risks to the delivery of high quality public services, there are also issues associated with the higher cost overheads encountered by small organisations. We have drawn out a number of examples above which indicate the differences in costs between different sizes of organisation. It is difficult to quantify the exact savings within the system, but there is very probably scope to make recurring efficiencies amounting to tens or even hundreds of millions of pounds per year.

3.64 Much of this discussion has focused on local government. That is not because we wish to single out local authorities for criticism, or because we believe they have been negligent in addressing these risks. It is simply because some of the most important risks of small scale, around capacity and resilience, reflect the breadth of responsibilities an organisation has – and local authorities have a far wider range of responsibilities than other organisations. However, that does not mean that problems of small scale are confined to local government; issues of leadership, flexibility and overheads in particular could arise within any small organisation. And, as we have argued above, the problems of scale affect the whole system, not just small local authorities.

3.65 **Urgent reform to minimise the risks arising from small scale, in particular within the local government sector, is therefore essential.**

3.66 This reform must be urgent because, as we made clear earlier in our report, the challenges of austerity and service demand are upon Welsh public services now. In the course of our work, we were aware of the wide range of other models of public service governance and delivery, including current and recent reforms. We consider that our proposals should fit with the history and set of values that we describe above. We have considered three specific means of pursuing such reform. Two of them are not viable or desirable, as follows:

3.67 Firstly, we considered recommending leaving local authority boundaries as they are, but requiring greater, more extensive and more permanent collaboration between local authorities. For instance, we might recommend shared senior management and service delivery teams reporting to different political structures. This approach would remove the need for any formal structure or boundary changes, and thus minimise costs and disruption. It has been proposed in several parts of England, although it has appeared to be slow and difficult to implement fully.[72]

3.68 We do not recommend this option. As the previous chapter shows, collaboration has progressed only slowly in Wales since the Beecham report in 2006 – and that on a scale far less than the full integration of management and service delivery. It has also struggled to establish clear and effective governance arrangements. We are now seven years on from Beecham and the evidence we have seen suggests that voluntary collaboration has not delivered the benefits that were hoped for. Efforts to improve integration and collaboration have been too slow and have had a greater effect of increasing bureaucracy than of creating cross-boundary, citizen-focused services as desired. Collaboration to resolve issues of scale has also added significantly to complexity, and has thus compounded the problems it sought to solve. Attempts to enforce and thus accelerate collaboration often fail because they undermine the mutual commitment on which any partnership rests. We simply do not have the time that would be needed to implement this approach across Wales, even if it were viable at all.

3.69 Second, we considered whether we should recreate the 'two-tier' local government structure that existed in Wales before 1996. This would involve creating 'regional' structures above the current 22 to deliver the largest and most specialised services, principally education and social care. This would have the advantages of delivering the largest services that require a high level of specialist expertise at a greater scale,

[72] For instance, the London boroughs of Hammersmith and Fulham, Kensington and Chelsea and Westminster developed proposals for widespread service integration and shared senior management in 2010. While some progress has been made, it will take some 4-5 years to make the most major changes, and some proposals (such as a shared chief executive) have not been implemented.

while maintaining current structures intact.

3.70 We do not recommend this option either, for three reasons. Firstly, it would create another tier of government, which would increase complexity and cost, and spread leadership resource even more thinly. Second, we share the WLGA's grave concerns about the financial viability and coherence of local authorities that did not provide these major services, especially if the current policy of protecting education and social services budgets were maintained. The pressure on budgets for remaining services would quickly become unsustainable as an increasing proportion of total local government funding was devoted to services which current local authorities no longer provided. Third, as in health, some local government services require a very high degree of specialisation which can only be met at a very large regional or national scale. Local authorities which were large enough to deliver all specialised services on their own would probably not be 'local' in any meaningful sense; some form of aggregating up or collaborating will always be necessary.

3.71 For similar reasons, we do not recommend the broadly similar proposal we received from One Voice Wales of creating a system of enlarged town and community councils to provide a range of services similar to those provided by district councils before 1996. This would also add to complexity to no great effect. However, we do recommend strengthening town and community councils' representative roles later in this chapter.

3.72 **We therefore recommend merging the 22 local authorities we have into larger units**. This appears to be the best option for addressing the risks of small scale and indeed the only one that is both viable and deliverable in the short to medium term. Such a programme is necessary to maintain local democracy, deliver cost savings and create local authorities that are resilient and better able to withstand the challenges ahead. It is also the option that will allow for timely implementation and the least possible impact on the delivery of front-line services.

Sustaining democracy

3.73 If the problems of small scale – and the benefits of large scale – were consistent and were all that mattered, then governments would simply create as few very large organisations as possible. There would be no need in particular for any such thing as local government.

3.74 However, that would be plainly wrong, for two reasons:

- Firstly, the problems associated with small scale are mostly qualitative, not quantitative. They consist of risks to governance and delivery which we believe will be minimised in larger organisations. But there is no evidence to suggest that ever

further increases in scale will yield proportionately greater benefits or eliminate these risks all together; and

- Second, there would be significant problems arising within very large organisations too. They could become too large to manage effectively, especially if they covered a diverse area with differing or conflicting needs. In a local government context it could also become difficult to ensure fair and balanced electoral representation across a disparate area, meaning that effective democratic control of major public services would be undermined.

3.75 These create two strong limitations on the extent of any structural reform. Local authorities must be big enough to minimise the risks of small scale, but not so big as to become unmanageable, unrepresentative or unresponsive. As Blaenau Gwent County Borough Council argued in its response to us:

Whilst there must be some change to the way Public Services are delivered the importance of local accountability and identity are key factors for consideration.

3.76 We agree with that, and with similar views that other local authorities[73] expressed. While the boundaries of health boards are outside our remit, we are bound to observe that many felt that Betsi Cadwaladr UHB served an area that was too large and diverse for the organisation to be effectively manageable or responsive.[74]

3.77 The case for having much larger health, fire or police entities is different. They are more specialised, have a narrower range of responsibilities and are not subject to democratic oversight by directly elected local councillors. We do not, therefore, support a local government reform on that sort of scale. We considered possibilities that would have yielded seven or eight very large local authorities, largely following the local health board boundaries. But we strongly advise against pursuing them. Such proposals would mean creating local authority areas like the whole of Gwent or the whole of North Wales. It would be very difficult to meet multiple diverse local needs effectively or to maintain fair democratic representation within such areas. Many of the gains from merger would thus be jeopardised or lost.

3.78 However, we do not believe these issues are anywhere near sufficient to rule out all attempts to minimise the risks of small scale through structural change. Those risks are real and serious, and demand urgent action. Rather, the need to sustain local democracy and coherence acts as a limiting factor on the extent of such change.

3.79 There are various criteria which determine the coherence of a new area and thus the likelihood of effective and democratic local governance that is responsive to the needs

[73] For instance Conwy County Borough Council, Newport City Council and the Vale of Glamorgan Council.
[74] For instance at our public meeting in Llandudno Junction

of its citizens and communities. We have been concerned to ensure that new areas share a common heritage and culture, and in particular a common linguistic heritage and culture. There are other important considerations too – for instance deprivation, population density, council tax levels and patterns of commuting and economic growth. We have taken all of these into account in formulating our proposals.

3.80 Overall, the importance of maintaining local democracy means that any reform must strike a balance. It must ensure coherence and representativeness while reducing the risks of small scale and creating local authorities that are more efficient and resilient. It should not seek to establish some minimum or average size, or to create a pre-determined lower number of local authorities. That would be a purely arbitrary approach: we do not believe such numbers or averages exist.

Coterminosity

3.81 **Structural change must enhance coherence and coterminosity** between local authorities and the boundaries and remits of other major service-providers. In particular, it should take place within the boundaries of larger organisations such as local health boards and police forces; and should mean that those organisations have to work with fewer local authorities.

3.82 This is more than a matter of administrative convenience or the limits of our remit. As we saw in the previous chapter, current collaboration is severely over-complicated; and in particular tends to frustrate the need to integrate health and social care effectively. That need will become increasingly vital as the population grows older and the number of people who need both health and social care increases; in our view, addressing it and creating seamless services is among the most critical challenges which the public sector faces. Although we did briefly consider structural change across LHB boundaries, we strongly discourage any such proposals. Rather, change should be in the opposite direction, creating greater alignment between health and local government boundaries and closer and more effective partnerships in those sectors.

3.83 Another dimension of coterminosity relates to **eligibility for EU convergence funding**. This is available to areas with a GDP per capita which was less than 75% of the EU average when the scheme was established. The boundaries are based on aggregations of local authority areas and would take account of changes in them.[75] At

[75] For European funding purposes, local authority areas are designated as "NUTS3" areas. These form the building blocks for larger "NUTS2" areas, and it is at this level that funding eligibility is determined. So in Wales, the local authority areas currently eligible for convergence funding form one NUTS2 area (West Wales and the Valleys) and those which do not form another area (East Wales). We are grateful for the detailed advice we received from the Wales European Funding Office on this issue and its implications for structural change.

present, all local authority areas meet these criteria except Flintshire, Wrexham, Powys, Monmouthshire, Newport, Cardiff and the Vale of Glamorgan. Eligibility for any similar programmes from 2021 onwards will be a matter for the European Commission and, if operated on similar lines, will depend on GDP levels or other measures of prosperity in Wales and across Europe. We cannot estimate or second-guess the effects of that. But we believe it would be unwise to combine areas that currently qualify for funding with those that do not. That could risk the former losing eligibility for future programme funding. Even if a new EU funding scheme permitted this, spanning the boundary between eligible and ineligible areas would add significantly to the cost and complexity of administering EU-funded programmes.

Mergers or new boundaries?

3.84 Reform could proceed either through merging existing local authority areas, or by a complete redrawing (or 'reorganisation') of boundaries from scratch. **We recommend merger**, for several reasons:

- Mergers would be quicker and easier to implement. The challenges faced by public services are pressing and reform at the quickest possible pace will allow local authorities to confront those challenges early, and to protect front-line services as a result. Mergers would meet this need. They would not involve creating wholly new organisations serving completely different areas from their predecessors. By contrast, a detailed review of local authority boundaries, which would be required if wholly new boundaries were drawn, would mean that the benefits of restructuring would not be realised for several years at the earliest. We note in this context that the recent review of Parliamentary boundaries in Wales took some two years to complete – and that was concerned only with electoral areas, not with creating public organisations;
- As a result, it would be easier to maintain consistency and continuity of service to the public. There would be no need to create new means of accessing or providing services;
- It would also be possible for local authorities which are merging to take steps towards that in advance of actual merger – for instance by integrating services or making joint appointments. That would be impossible if the municipal map were to be completely redrawn; and
- Mergers would also maintain coterminosity. Current local authority boundaries are aligned with those of the NHS, the police and fire services and the education consortia. Any merger programme would be bound to do the same; complete redrawing would not.

3.85 In developing these proposals, we have not lost sight of the fact that we all have strong local, often very local, attachments. There are powerful and historic links between areas which our proposals, like other administrative lines on a map, will cut

across or combine. It is not our intention to suggest that creating a new administrative unit should create new loyalties and senses of community, or destroy old ones. Long-standing titles, civic and city status, insignia and ceremonial roles such as Lord Lieutenancies should not need to be lost or changed because of these proposals; instead their strengths should be carried forward into the new arrangements. We heard very many times that "people do not care who delivers a service as long as it is a good service" – and our proposals throughout our report are aimed at just that: the better delivery of better public services for people in Wales.

3.86 However, we recognise that there may be some boundary anomalies in the current arrangements: places that are within one local authority area but have more in common with a neighbouring area. Such detailed issues are beyond our remit, and the local sensitivities need careful consideration. It is possible that a programme of mergers will resolve some of these by creating a larger local authority across the old boundaries. Subject to that, we believe there is merit in the Welsh Government inviting the Local Democracy and Boundary Commission to identify any such anomalies and to develop proposals for addressing them. But this should not be allowed to delay or distract attention from the wider changes we propose.

Our proposals

3.87 We have therefore developed possible options in line with these criteria. We have done so as follows:

- We have identified mergers of adjoining local authorities that significantly increase the overall average scale and capacity across the local government system. As far as possible we have also sought to minimise the differences in scale between largest and smallest;
- We have only proposed merging local authorities within existing local health board and police boundaries. This maintains coterminosity with those organisations and simplifies the partnership arrangements between them and local government, in particular to promote integration of health and social services;
- We have considered several key features about each area, including population, deprivation, population density, and use of Welsh, to evaluate how coherent the new areas would be. Details of these data are in Annex H;
- We have been particularly mindful of issues around the Welsh language. Several of our respondents urged us to propose boundaries that reflected and sustained public use of Welsh as well as the use of the language as a medium of civic life and administration. We believe all of our proposed options do so;
- We have considered eligibility for EU convergence funding, and avoided proposing mergers of local authority areas which are currently eligible for such funding with those that are not;

- We have also considered differences in levels of council tax, using current average Band D tax rates for each local authority. Creating a single local authority necessarily means setting the same council tax across the whole area, and we have assumed that each new local authority would simply equalise the council tax at the weighted average across the new area. If that happened, the net effect would be zero: council tax would rise in some areas but fall in others. In practice each new local authority would of course set its own levels of council tax. Any increases in council tax could also be moderated through a central subsidy, although that is a matter for the Welsh Government. Overall, though, this is a reasonable way to estimate the broad effects; and
- Finally, we have considered the number of councillors that would exist under each of our proposals. Currently, the overall ratio of councillors to citizens in Wales is 1:2,401. In English unitary authorities the ratio is 1:3,814; and in Scotland, 1:4,259. Both English unitaries and Scottish local authorities provide the same services as Welsh local authorities; so Wales is arguably over-represented now. In modelling changes, we have assumed that the current cap on council size at 75 members would remain. However, that is just a modelling assumption: there are arguments on both sides. On the one hand, we note that there are unitary local authorities elsewhere in the UK which already serve much larger populations than those in Wales, but which have memberships that are hardly any larger. Bristol City Council, for instance, has 70 members, the same as Flintshire County Council despite serving a population almost three times as large. Glasgow City Council has 79 members, although it serves a population around four times as large, and larger than all new authorities under any of our recommended options. On the other hand, some of our proposals would create local authorities that are geographically much larger than Bristol or Glasgow, and which might need more than 75 councillors to secure effective democratic representation. For instance Cornwall Council, which serves around 520,000 people across a wide area, has 123 members. It might also be undesirable to reduce the number of councillors radically and at a stroke across Wales. While there is no conclusive argument for retaining or increasing the cap, this must ultimately be a matter for the Local Democracy and Boundary Commission and the Welsh Government.

3.88 This has led us to develop four possible options for change, resulting in 12, 11, and 10 local authorities, with two different permutations for 11 local authorities. The details of all of the options, along with our assessment of their advantages and disadvantages, are below, with further data and maps in Annex H. All four of the options meet our criteria of increasing average size to improve capacity and maintaining coterminosity. The differences between them largely concern the internal coherence and democratic effectiveness of the new areas.

3.89 Our starting point has been to identify local authorities that should merge based on the above criteria. In the interests of systemically addressing problems of scale, we believe the minimum extent of such mergers would include all of the following:

- Isle of Anglesey and Gwynedd; (total population 191,000)
- Conwy and Denbighshire ;(209,000)
- Flintshire and Wrexham ;(288,000)
- Ceredigion and Pembrokeshire; (198,000)
- Neath Port Talbot and Bridgend; (279,000)
- Rhondda Cynon Taf and Merthyr Tydfil; (293,000)
- Cardiff and the Vale of Glamorgan; (472,000)
- Blaenau Gwent, Caerphilly and Torfaen; (340,000)
- Monmouthshire and Newport. (237,000)

Such a programme of minimum change would leave Carmarthenshire, Powys and Swansea as they currently are. We evaluate the implications of that below.

3.90 These combinations form the 'building blocks' for all of our options. For the most part, they are reasonably obvious in light of the need to remain within health, police and convergence funding boundaries. However, in some parts of Wales, there may be alternatives. For instance, the Gwent Police area contains a diverse mixture of urban, Valleys and rural authorities, of areas of very high and very low deprivation, and of relatively very high and very low council tax. The combinations we suggest appear to be the best fit with our criteria. Other combinations (such as Blaenau Gwent / Monmouthshire / Torfaen and/or Caerphilly / Newport) are possible and the former, at least, was proposed in evidence from Torfaen County Borough Council.[76] But they would breach our criterion on EU convergence funding; we do not therefore recommend them. A merger only of Blaenau Gwent and Torfaen, leaving Caerphilly as it is, would not breach this criterion. But Blaenau Gwent and Torfaen are among the smallest local authorities; both are in special measures for education and Blaenau Gwent has well-documented problems of corporate governance. We doubt a combination of the two would be viable.

3.91 The convergence funding criterion also argues against the division of north Wales into two local authorities rather than three by merging Anglesey, Gwynedd and Conwy; and Denbighshire, Flintshire and Wrexham. Denbighshire currently qualifies for convergence funding; indeed some parts of the county are among the most deprived in Wales. That could be jeopardised by merger with Flintshire and Wrexham, which are not eligible.

3.92 Our criteria on coterminosity and convergence funding thus largely dictate the patterns of merger in many parts of Wales. The merger proposals in North Wales, in

[76] The Council did not favour merger in principle but proposed this as its preferred alternative should such a programme proceed.

Powys, in most of the Valleys, in Newport and Monmouthshire and in Cardiff and the Vale of Glamorgan are the only ones that would observe all of our key criteria. Matters are less clear elsewhere – in the Bridgend / Neath Port Talbot / Swansea and Carmarthenshire / Ceredigion / Pembrokeshire areas – and our preferred options differ only in how they would affect those areas.

Option 1: 12 local authorities

3.93 Our first option consists only of the minimum merger proposals above. It would leave Carmarthenshire, Swansea and Powys as they currently are. Powys is a special case for all options (see below), while Carmarthenshire and Swansea are both relatively large local authorities which appear capable of standing alone. Overall, this option entails the lowest sustainable level of change and the lowest risk of loss of responsiveness. It would also avoid problems of excess scale or very large council tax disparities.

3.94 However, this option would mean that four of the seven local health boards would still have to deal with two or more local authorities. It would also create an anomaly by retaining Swansea as a single entity but merging the much larger city of Cardiff with the Vale of Glamorgan – on the basis that the Vale cannot sensibly stand alone in any coherent reform scheme, and could only merge with Cardiff (the only other local authority in its health board area and the only adjoining local authority not eligible for convergence funding). This option could also fail to reflect the fact that the population of Swansea is projected to increase by some 13% over the next 25 years, compared to only 4% in Bridgend and Neath Port Talbot. The city will thus act as a focal point for growth of the wider area; which may suggest creating a single local authority to serve that area. Keeping Swansea separate would also risk concentrating the more deprived parts of the wider region into a single area. While these are significant drawbacks, we do not believe they are strong enough to rule this option out altogether.

Options 2a and 2b: 11 local authorities

3.95 This option would involve merging the same local authorities as under option 1, with either of two further mergers:

- Swansea would merge with Neath Port Talbot and Bridgend (option 2a) or
- Carmarthenshire would merge with Pembrokeshire and Ceredigion (option 2b).

3.96 The strengths and weaknesses of this option broadly resemble those of Option 1, although there are some greater benefits. Either Abertawe Bro Morgannwg LHB (for option 2a) or Hywel Dda LHB (for option 2b) would need to form a partnership with only a single local authority, meaning greater potential for integrating health and

social care in those areas. Either option would also increase the ratio of councillors to citizens to around the level in English unitary authorities, if the 75-member cap were retained.

3.97 **Option 2a** would create a single local authority covering Bridgend, Neath Port Talbot and Swansea. It would avoid the anomalous treatment of Swansea in Option 1, and would be arguably more consistent with long-term patterns of population and economic growth in the wider region. Because of the geographic restrictions to the west and north (such as the Gower and the Loughor estuary), Swansea's future development is likely to be focused on its eastern boundary with Neath Port Talbot, along the Fabian Way / M4 axis. For instance, the recent 'SA1' development is around 750m from the boundary; and Amazon Park and the majority of the new Swansea University campus is within Neath Port Talbot. It would also be consistent with the Western Bay care partnership which has already had some success in integrating health and adult social care across the area. On the other hand, the resulting local authority would be relatively large, with a population of 518,000, making it the third most populous unitary authority in the UK after Glasgow and Cornwall. However, there are significantly more populous metropolitan authorities in England such as Birmingham, Leeds and Sheffield, which discharge substantially the same functions; and being a large authority may be an advantage (it will maximise economies of scale and would give the authority a strong voice). The population of this possible local authority area might give cause for concern, but there are strong arguments in favour too.

3.98 **Option 2b** would leave Swansea standing alone, creating the same advantages and disadvantages as option 1. Instead, it would create a single local authority out of Carmarthenshire, Ceredigion and Pembrokeshire, with a population of 382,000. This would help integrate health and social care in the Hywel Dda LHB area, and would bring together an area which has at least some significant common features in terms of rurality, local economy and, in much of the area, use of the Welsh language. On the other hand, the geographic size and diversity of that area would present significant challenges. It would cover the largest area of any UK unitary authority outside the most rural and remote parts of Scotland while having a significantly higher population than any of those areas.[77] Furthermore, while there are common features, there are also significant differences. Llanelli, the Amman Valley and Milford Haven are largely urbanised and industrial; much of the rest of the area is very sparsely populated. And while Welsh is widely spoken in much of Carmarthenshire, north Pembrokeshire and Ceredigion, it is less prevalent in south Pembrokeshire and along the Carmarthenshire coast. Anecdotally, there is still a sense in the area that the former Dyfed County Council struggled to address this diversity in a responsive and effective way. Resolving

[77] The Scottish council areas of Highland, Argyll and Bute, Dumfries and Galloway and Aberdeenshire are all geographically larger; but all have a population at least 140,000 less than this combination.

this might well require the creation of delivery and engagement structures below the level of the whole area, whether or not along the boundaries of the current local authorities. Finally, this option would create a significant council tax disparity: Pembrokeshire's council tax is among the lowest in Wales and would rise significantly if council tax levels were equalised across the whole of the new area. As with the proposals in option 2a, these are causes for concern, but not overwhelming ones.

Option 3: 10 local authorities

3.99 This option would combine the mergers in options 2a and 2b. It would create single local authorities covering both Bridgend, Neath Port Talbot and Swansea; and Carmarthenshire, Ceredigion and Pembrokeshire.

3.100 This would naturally combine the strengths and weaknesses of both options 2a and 2b. In combining the strengths it would simplify partnership arrangements considerably. In all areas outside north Wales and south east Wales, local government and health boundaries would be identical, greatly facilitating partnership working and service integration. That is a very attractive proposition and would facilitate many of our other recommendations around removing complexity and refocusing public services on prevention and co-production. This option would, if the 75-member cap were retained, also increase the ratio of councillors to citizens to a value between that in England and Scotland.

3.101 However, the combined drawbacks of options 2a and 2b are also considerable. They would mean both a very populous local authority (Bridgend, Neath Port Talbot and Swansea) and a geographically very large one (Carmarthenshire, Ceredigion and Pembrokeshire). While neither of these are compelling drawbacks, they do increase the degree of risk around merger on this scale. The advantages are correspondingly greater too, though, and that leads us to conclude that this option is also viable.

3.102 All of our favoured options have different strengths and weaknesses, and we believe any of them would adequately address the problems of small scale while avoiding the counter-balancing risks of incoherence, loss of responsiveness and excess size. We do not have any preference between them, still less a firm view as to which one should be implemented; that must be a matter for the Welsh Government and the National Assembly for Wales, following consultation.

Powys

3.103 Maintaining the crucial coterminosity between local government and the NHS means that Powys (which has its own local health board) must remain as a stand-alone local authority under any scenario. That may appear anomalous, given Powys's population

of only around 130,000. However, Powys is among the largest (in terms of area) and most sparsely populated unitary authorities in the UK. This creates very distinctive patterns of demand and challenges to service delivery, which argue in favour of maintaining it as a separate authority. Furthermore, merging it with any neighbouring local authority would create an area which would almost certainly be geographically too large and/or too diverse to be manageable. It would also necessarily breach our coterminosity criterion, and probably that on convergence funding.

3.104 We are, though, concerned that under any of our scenarios Powys would serve by far the smallest population of any local authority in Wales. That risks recreating some of the problems of scale that we strongly believe should be avoided.

3.105 We explain our solution to this problem as part of our analysis of the complexity of public services in Wales in the previous chapter. There, we recommend that Powys County Council and Powys Teaching Health Board should merge into a single organisation. This would increase the overall scale and capacity of the organisation; would capitalise on the existing distinctive patterns of service provision in the county; and provide a more seamless service to citizens of this unique area. It could also serve as a possible model for more formal integration between health and social services in the rest of Wales, although, as we said in the previous chapter, there is no compelling case for such a fundamental change at present.

Implementing change

3.106 **We therefore recommend that one of our options for local government mergers must be adopted and implemented urgently, creating 12, 11 or 10 local authorities**. The ample evidence we received on issues of scale and solutions to them has led us to devise these specific options, but we have not been able to consult upon them. Whether and how to consult on these options and to determine which will be implemented is a matter for the Welsh Government. However, it will be essential for these changes to be implemented quickly, effectively and with minimal disruption to service levels. That in turn will demand robust programme management at an all-Wales level and committed high-quality leadership locally, from both officers and politicians. **We recommend that the Welsh Government, local authorities and key stakeholders must agree the programme arrangements for mergers by Easter 2014 at the latest. That should include clear and robust project and programme governance at national and local level with clear accountability to a national transition and implementation board.** That board should be tasked with preparing, planning and managing the overall programme of reform. We do not underestimate the scale of that challenge, but nor do we underestimate the critical consequences of not confronting it.

3.107 **We recognise that any structural change is potentially costly and disruptive**, as did many of our respondents. However, the cost of doing nothing would be too great. The current structure is not sustainable in the longer term; furthermore, we believe the long-run savings will quickly outweigh the short-term costs. But the funding model for merger should reflect the fact that it will bring benefits to the whole public sector, not just to the local authorities concerned. As the WLGA rightly pointed out to us, local authority service budgets alone could not sustain such costs for the foreseeable future.

3.108 We have attempted to model the financial costs and benefits of restructuring, in broad and indicative terms. One-off costs might arise from:

- Severance payments to staff – particularly senior staff – whose roles were directly duplicated in the new structure;
- Consolidating salaries, terms and conditions of staff under the TUPE regulations;
- Integrating ICT and other systems; and
- Relocation and rebranding costs.

3.109 Benefits, on the other hand, would accrue on a recurrent basis from:

- Lower overall salary payments and on-costs, again especially to senior staff;
- Lower payments of salaries and allowances to councillors, assuming numbers of councillors were reduced;
- Disposal of surplus property yielding either capital receipts or rental income;
- Lower costs from operating single ICT and other systems rather than several ones; and
- Economies of scale in service costs.

3.110 It is not possible for us to produce definitive or comprehensive estimates. Exact costing will depend on information about detailed structures, budgets, contracts, estates and asset registers within each local authority, and that is beyond our remit.

3.111 However, we have been able to consider the demonstrated costs and benefits of a recent programme of mergers in Cornwall.[78] We have also had the benefit of an analysis of these and other such programmes prepared by Deloittes for the WLGA, which the latter submitted as part of its evidence to us. Finally, we have undertaken more detailed and robust modelling of the costs of severance for senior staff, based on published salary rates and entitlements. From this we believe we can derive a reasonable indication of the main upfront costs of restructuring and of the recurring savings that can be expected to accrue; and an estimate of the payback period (that is, the time taken for benefits to start to outweigh costs).

[78] Cornwall Council – a unitary authority and the largest by population in England or Wales – was created by merging the former Cornwall County Council with 6 district councils in 2009

3.112 Based largely on the Deloittes work, the WLGA concluded that the costs of merger would be between £200 and £400 million, with recurrent annual savings of between £92 and £100 million, suggesting a payback period of between 2 and 4 years. While we have found the Deloittes / WLGA work very helpful overall, we question the accuracy of those estimates of costs and benefits, on several grounds. Firstly, the Deloittes / WLGA analysis calculated the immediate costs and benefits by taking the figures from Cornwall and grossing them up by the relative difference in population between Wales and Cornwall (around 5.8 times). We do not believe that the costs and benefits of merger would be directly proportional to the population served. Population may be a proxy for the size of a local authority's workforce or estate; but costs and benefits would be driven at least as much by the number of local authorities involved and thus the number of different structures and systems that needed to be integrated. The Cornish merger involved seven organisations, or around a third as many as Wales. That suggests the Deloittes / WLGA figures based solely on the Cornish experience may overestimate both the immediate costs in Wales (estimated at £119 million) and the recurrent benefits (estimated at £100.9 million).

3.113 Second, Deloittes and the WLGA have assumed that large extra costs would be incurred from financing the merger process and from mitigating council tax disparities. They assumed that merger would be financed by local authorities borrowing the funds needed at commercial rates. That is certainly possible but not inevitable. In Cornwall, merger was funded from councils' reserves; and as we note above, there is an argument for a funding model that reflects the benefits of merger to the whole public sector. Adopting either or both approaches would mean that there would be no costs of borrowing. There would of course be opportunity costs, but that is true of any spending decision, however it is funded.

3.114 The WLGA evidence also assumed that councils would forgo a significant amount of council tax income if some of the highest current levels of council tax were frozen to help eliminate disparities in council tax rates within the new areas. Again, that is not certain to happen. While the Welsh Government and local authorities might well wish to take steps to minimise council tax disparities, that does not necessarily entail the highly costly approach assumed by the WLGA and Deloittes.

3.115 Assuming that merger were not funded from commercial borrowing and that council tax rates were not treated as the WLGA assumed, we believe the upfront costs of merger could be closer to £80-£100 million, with recurrent annual savings of perhaps £60-£80 million. This latter figure could rise depending on how quickly economies of scale in service costs could be realised.[79] These are necessarily very rough estimates

[79] In particular, the Cornish savings (on which these estimates are based) take no account of economies of scale in services such as education, social services or highways which were formerly provided by the County Council and are still provided on the same scale. Such savings could well arise under our proposals.

about the cost of a very large-scale and wide-ranging change programme which has not yet even begun; and we must qualify them heavily. But we can estimate with some confidence that the payback period for these costs would probably be somewhere between 18 and 30 months. Significant net annual savings would probably accrue beyond that. That is consistent both with the Cornish experience and with our detailed modelling of senior staff severance costs – which suggested a payback period of between 18 and 24 months for those costs alone.

3.116 That would be a promising investment even in prosperous times. But in conditions of long-term austerity it becomes compelling. Local authorities are already planning to make widespread cuts, including to frontline services and entailing significant redundancies, in order to balance their budgets. As the WLGA's finance spokesperson recently noted, "With diminishing funding, communities throughout Wales will have to significantly revise their expectations of what services their local council can realistically be expected to deliver."[80] That austerity is likely to continue for at least the next decade, as we explained in our introduction. As matters stand, local authorities will be unable to offset such pressures with the scale of long-term savings that merger is very likely to bring. So the choice becomes either one of prolonged and ultimately unsustainable cuts to frontline jobs and services; or investing in a reformed structure which will yield significant long-term savings and so mitigate the need for service cuts. In our view that is no choice at all: it is infinitely preferable to invest in a public sector that is fit for the future and to protect front-line jobs and services than to allow public services to decay and decline to the point of failure.

3.117 However, none of this will happen without strong and effective national and local leadership, and robust programme governance. Evidence from Cornwall again bears this out. It will be vital for the Welsh Government, the National Assembly for Wales and local government to make necessary legal, financial and other arrangements for the changes promptly, and implement them swiftly and decisively. Failure to act promptly and decisively would add significant risks to the delivery of public services in the short term. We agree with the evidence we received from the Society of Local Authority Chief Executives, which argued that the prospect of structural change could cause significant disruption and distraction. We also recognise that the prospect of structural change will raise concerns amongst those who work in local government in Wales and could make it difficult for local authorities to recruit and retain staff. However, as we have recognised, the current system is not sustainable and it is essential therefore to deal with the issue in order to protect jobs in the longer term. The retention of staff, particularly in specialist roles, should be a key consideration. Indeed, as one of the main risks around scale concerns a lack of capacity and expertise, it would be self-defeating for merger, or the prospect of it, to lead to further major reductions in such capacity and expertise. That underlines the need for

[80] Cllr Aaron Shotton, quoted in WLGA press notice, 11 December 2013.

prompt and comprehensive action.

3.118 The severe and continuing challenges facing public services mean that we cannot allow merger to become an undue distraction or displacement activity. Implementing it properly will clearly take time; it will require close attention to legal, financial and organisational arrangements, and full and continuous engagement with the public sector workforce. But it is perfectly possible for local authorities to begin to align their structures and operations in advance of their merger; and to make joint rather than separate appointments where appropriate. The sooner they do so, the sooner they will be able to realise the benefits and savings we have outlined, meaning better protection of front-line services. We encourage existing local authorities to take such steps, and we believe those who are prepared to make such an early commitment should be supported and incentivised. **We therefore recommend that the Welsh Government should support and incentivise early adopters who wish to begin a voluntary process of merger. The programme should nonetheless be completed in 2017-18.**

Sustainable communities, responsive organisations

3.119 Although our recommendations above on changes to the structures of local authorities are important, we do not believe that they will be sufficient. As we explain in Chapter 4, public sector organisations do not consistently engage with citizens, who in turn tend to find it hard to influence them or play a part in holding them to account. More needs to be done to strengthen democratic accountability and to create a space in which service-providers engage consistently and co-productively with citizens and communities to meet their needs. We see two complementary solutions to this problem, both working at a more local level.

Town and community councils

3.120 Firstly, Wales already has 736 town and community councils. Some of the larger ones provide significant services, notably in the areas of highways, leisure and community facilities. But all of them have at least the potential to articulate the needs and priorities of their communities to local authorities and other service-providers. They also have scope to assume responsibility for some purely local community-based services, as many of them already do to a certain extent. We know that there are many active community councillors closely engaged in the life of their communities.

3.121 That potential becomes even more important if local authorities are to become larger. We fully agree with Llanelli Town Council, which argued in its evidence to us that: *With the inevitable pressure to increase the size of larger public bodies and reduce the number of unitary authorities it is absolutely essential that the impact on the most*

local tier of government is addressed and structures put forward that will allow local voices to be heard.

3.122 As the Town Council recognised, effective engagement between town and community councils and other service-providers will not happen automatically. Even at present, evidence we received from individual town and community councils and from their representative body, One Voice Wales, suggests that this engagement is patchy and often ineffective. For instance, One Voice Wales noted the severe problems that town and community councils had experienced in engaging with local service boards.

3.123 The number and scale of individual town and community councils is partly responsible. Some such councils are relatively large – the largest (Barry Town Council) serves almost 50,000 people. But they are the exception. Most of these have very small budgets and the services of only a part-time clerk. It is very hard to see how such small organisations can participate consistently in strategic discussions on the needs of their locality or engage effectively with local people as part of that.

3.124 Equally, some local authorities' areas include very many town and community councils. For instance, there are 110 such councils in Powys and 80 in Pembrokeshire. It is hard to see how the local authority or any other single organisation can engage with and respond to all of them individually on a meaningful and consistent basis.

3.125 Finally, we have major concerns around the accountability and representativeness of town and community councils. The table below contains data about town and community councils at the last elections in 2012. It shows that:

- The average community council serves 2,231 electors (or around 2,900 citizens), varying from 929 in Powys to 11,659 in Torfaen;
- There are 8,069 community councillors, with an average of 203 electors per councillor, again varying from 99 per councillor in Powys to 804 in Torfaen. That means around 0.5% of the total electorate in areas covered by community councils are members of them. This rises to almost 1% in Powys;
- At the last elections, 67% of seats were uncontested. That means there was either only one candidate for a single-member ward, or, in multi-member areas, the number of candidates did not exceed the number of seats. In either case all nominated candidates were returned without an election being held. That varied from 26% of seats in Torfaen to 87% in Powys. It is also noticeable that areas with larger community councils tend to have fewer uncontested seats;
- In a further 12% of seats there were no candidates at all (or fewer candidates than seats); these seats remained vacant, although community councils can and do co-opt members to fill them. This varied from zero vacant seats in four local authority areas to 23% in Anglesey and 24% in Pembrokeshire; and

- Taken together, this means that **only around 1 in 5 community council seats are filled by councillors who were elected in a public poll** rather than returned unopposed or co-opted. That falls to around 1 in 10 in Wrexham and Pembrokeshire, and 1 in 14 in Gwynedd and Anglesey.

Community Council Elections 2012 /13

Local authority	Electorate	Community Council Electorate	Coverage	Community Councils	Average Electorate	Community Councillors	Electors per Councillor	Uncontested Seats	% Uncontested	Vacant Seats	% Vacant
Blaenau Gwent	54,081	32,191	60%	4	8,048	69	467	59	86%	0	0%
Bridgend	103,717	103,717	100%	20	5,186	234	443	84	36%	24	10%
Caerphilly	127,587	85,063	67%	16	5,316	186	457	109	59%	14	8%
Cardiff	255,496	18,042	7%	6	3,007	61	296	35	57%	10	16%
Carmarthenshire	141,040	141,040	100%	72	1,959	788	179	574	73%	**	n/k
Ceredigion	59,134	59,134	100%	51	1,159	540	110	398	74%	55	10%
Conwy	92,755	92,755	100%	33	2,811	398	233	282	71%	50	13%
Denbighshire	75,164	75,164	100%	37	2,031	375	200	218	58%	28	7%
Flintshire	117,994	117,994	100%	34	3,470	442	267	172	39%	67	15%
Gwynedd	84,927	84,927	100%	64	1,327	746	114	588	79%	115	15%
Isle of Anglesey*	50,506	50,506	100%	40	1,263	456	111	321	70%	105	23%
Merthyr Tydfil	43,368	2,492	6%	1	2,492	9	277	7	78%	0	0%
Monmouthshire	70,709	70,709	100%	33	2,143	356	199	222	62%	63	18%
Neath Port Talbot	108,553	68,967	64%	19	3,630	248	278	150	60%	23	9%
Newport	105,342	23,264	22%	14	1,662	130	179	90	69%	0	0%
Pembrokeshire	93,251	93,251	100%	80	1,166	778	120	496	64%	187	24%
Powys	103,142	103,142	100%	111	929	1,041	99	904	87%	**	n/k
Rhondda Cynon Taff	178,675	85,352	48%	11	7,759	146	585	56	38%	22	15%
Swansea	184,893	70,266	38%	24	2,928	290	242	189	65%	49	17%
Vale of Glamorgan	90,723	90,723	100%	26	3,489	269	337	132	49%	40	15%
Torfaen	69,953	69,953	100%	6	11,659	87	804	23	26%	0	0%
Wrexham	103,342	103,342	100%	34	3,039	420	246	296	70%	78	19%
TOTAL	**2,314,352**	**1,641,994**	**71%**	**736**	**2,231**	**8,069**	**203**	**5,405**	**67%**	**930**	**12%**

** Anglesey elections held in May 2013*

*** Separate vacancy data unavailable for these counties; vacant seats are included in uncontested seats.*

3.126 This pattern is typical of recent elections. It is clear that town and community councils struggle to attract a level of popular and democratic interest that enables them to act as a representative voice of the communities they serve.

3.127 Overall, we believe that many town and community councils also experience some of the problems of small scale; and that in areas with very small community councils, this is also reflected in a lack of democratic engagement and participation. Even though the risks to delivery are not as great, those problems should still be addressed. Therefore, we agree with One Voice Wales that the Welsh Government should:

Consider any appropriate reorganisation of community or town councils and/or their boundaries and governance in order to make them capable of delivering the services expected of them under these new arrangements.

3.128 One Voice Wales's evidence presented to the Commission suggested that town and community councils should form 'clusters' to generate a clearer and stronger voice to which other organisations can more easily respond. One Voice Wales described the success that this approach had had in the area around Bala – one of the remotest in Wales, and one in which many larger service-providers no longer had a physical presence. We can see the benefits of this approach, although we have not been able to consider the full extent of costs, benefits or the impact on local people and communities. Nor would we support a piecemeal or voluntary approach to problems that exist in most parts of Wales.

3.129 The town and community council sector is in clear need of reform if those councils are to fulfil their purpose in the new structure of local government. As we explained earlier in this chapter, we do not support creating a 'two-tier' structure for local government services, with town and community councils forming the lower tier, although we do see scope for them to take on delivery of some purely local and small-scale services and facilities by agreement. We are more concerned here with the limits on town and community councils' ability to understand and articulate local needs, because of their limited capacity and democratic mandates. There is good reason to believe that this is due to the very large number of very small community councils in many parts of Wales.

3.130 **We therefore recommend that town and community council areas are also merged or enlarged** to create fewer, larger councils capable of expressing local interests clearly and effectively. The Welsh Government and the Local Democracy and Boundary Commission should initiate this process, in consultation with One Voice Wales and other representative bodies. We can have no detailed view on the overall

number of such councils or the boundaries which should be set, although we note that ward boundaries for unitary authorities – which largely define community council boundaries – will very probably be redrawn and enlarged under our main reform proposals. That can and should drive the restructuring of town and community councils too.

Neighbourhood structures

3.131 As the table above shows, town and community councils do not cover the whole of Wales. They cover rural areas almost completely, but are largely absent from our major cities and from much of the Valleys. Other mechanisms of local representation are needed in such areas.

3.132 As an alternative way to enhance local representativeness, we were impressed by the Neighbourhood Management approach adopted by the Cardiff Partnership Board. This divides the city into six coherent areas or 'neighbourhoods', within which major service-providers work together both to engage with citizens and community groups to identify concerns and problems, and to address them collaboratively. The Board argued in its evidence to us that this:
has enabled large organisations to focus on local needs – and demonstrates the ability for [them] to be responsive. It is crucial to retain local decision making and community involvement to create sustainability.

3.133 We agree, as does the Wales Audit Office, which conducted a recent review of Neighbourhood Management in Cardiff.[81] It found good evidence of engaging and involving citizens, and of progress in delivering the outcomes and priorities that arose from that process. While it also found some room for improvement, the review underlines our belief that this sort of approach can effectively provide a very local dimension to service provision and citizen engagement, especially in larger urban areas. The response we received from the Electoral Reform Society also supported this broad approach to strengthening engagement and responsiveness.

3.134 The potential risk that larger authorities might become unresponsive or fail to represent local needs is just as strong in areas where town and community councils are not widespread. Particularly in such areas, **we therefore recommend that local authorities and other partners should develop, adopt and implement a neighbourhood management or similar approach to engaging with citizens to identify, prioritise and address particular local issues, especially through co-production.**

[81] Wales Audit Office 2013 *Cardiff City Council – Neighbourhood Management Review Stage 2.*

Local, regional and national

3.135 A reduction in the numbers of local authorities and partnerships to overcome problems of scale in local government will create bodies both able to do more themselves and with strategic space to tackle the significant challenges that are upon them. We recognise however that form should follow function. In proposing the change we have to the scale of local authorities, the intention is to create entities that are large enough to deliver, small enough to care and most importantly are of sufficient scale and capability to take advantage of the greater strategic space that the simplification of the whole system will provide.

3.136 These new strategic entities will be able to plan, deliver and secure the services that their population requires. But that does not mean that they can or should simply retreat into isolationism. Real life does not follow geographical or administrative boundaries. Even with larger organisations in place, not all local government functions can, or should, be for the new local authorities to operate in isolation.

3.137 In other words, some issues of scale and capability will always transcend organisational boundaries, wherever they are drawn and however large the organisations they define. This may be particularly true of functions and services that, for instance:

- Are very uniform, with little local distinctiveness in terms of patterns of demand or delivery; and/or
- Require very high levels of specialist or professional expertise; and/or
- Display very high economies of scale.

3.138 These functions might then need to be delivered at a greater scale than the purely local – either at a regional (for instance, north Wales, south west Wales or Gwent) or national level. That will remain the case under our restructuring proposals. But there are also initiatives in hand which seek to apply this approach within existing public sector structures. These are commendable, but will need to be re-evaluated in light of our proposals. We discuss some of these in more detail below.

The Simpson Review and its implementation

3.139 The Simpson Review of 2011 took just this approach to local government services. It identified a range of functions that might better be delivered at regional or national levels; in response, the Welsh Government and local authorities agreed a compact for implementing the Simpson recommendations. We agree with two of our

respondents[82] that the Commission should not reopen the work done by the Simpson Review. There was no need for us to duplicate Simpson's work by reconsidering in detail whether particular local government functions might best be delivered regionally or nationally, and we have not done so.

3.140 However, we were disappointed to note that implementation of the Simpson Review's findings has been slow. It has taken some two years for the Welsh Government and local government simply to produce business cases for the changes proposed by Simpson – a point that the Auditor General noted in his evidence to us.

3.141 That is not surprising. This approach will always require discussion and agreement between current local and national partners to establish wholly new and ad hoc delivery mechanisms. That does not make it wrong, nor does it mean that that all of the work to date in implementing Simpson has been wasted. But it does illustrate the limitations of addressing issues of scale in this way alone.

3.142 Our reform proposals, if adopted, would significantly change and enlarge local government structures. However, that does not mean that the Simpson proposals can be abandoned or postponed. On the contrary, the Simpson recommendations on services that should be carried out at national scale should clearly stand. For instance, work on the National Procurement Service should proceed apace and continue to develop as a centre of expertise and delivery in greater areas of value. As we explained in the previous chapter, its work and that of the NHS Shared Services Partnership should be integrated and greatly expanded across the public sector.

3.143 Simpson's recommendations on regional level delivery were made in the context of the existence of 22 relatively small local authorities. In principle, regional-level delivery can and should be taken forward as precursors to full restructuring, although in some areas arrangements may need to be modified to reflect the new structures and boundaries.

3.144 **The service reconfigurations which the 2011 Simpson Review proposed have taken too long to implement. We therefore recommend that those which are consistent with our proposed programme for change should be subsumed within our proposed programme and project management arrangements to ensure delivery. This means that:**

- **The Welsh Government and local government must immediately review the proposals for regional service delivery and identify any which are no longer**

[82] Merthyr Tydfil County Borough Council and the Vale of Glamorgan Council.

necessary in light of the programme of change we recommend. Those that are still necessary should again be implemented as soon as possible; and

- **In the interests of simplicity, coherence and efficiency, implementing all Simpson proposals should fall within the same governance arrangements as the main programme for local government restructuring.**

3.145 Other current initiatives that aim to increase the scale at which particular services are delivered should be treated similarly. The main ones are as follows.

School improvement consortia

3.146 In 2012, the Welsh Government commissioned Robert Hill to review the delivery of education services in Wales. This followed several high-profile cases of under-performance, both in individual local authorities (some of which were placed in special measures) and nationally, in terms of Wales's performance in OECD-administered PISA tests of attainment in reading, mathematics and science. The Hill Report, published shortly after this Commission was established, concluded that the existing local government structure could not deliver sustained high-quality education services. It recommended that there should be fewer, larger local authorities; and that school improvement services should be delivered by four regional consortia, because of the need for highly specialised and scarce expertise in this field. The report therefore substantiates many of the findings we make in this chapter in the specific case of education – which is, in terms of expenditure, much the largest service that local government provides. We had the benefit both of considering Robert Hill's report and of taking evidence from him in person.

3.147 Our proposals on local government restructuring meet the call in the Hill report for fewer, larger local authorities. The school improvement consortia, though, have been established on a much larger scale, with four covering the whole of Wales. Robert Hill made a compelling case for this in his report and evidence, and we have no reason to challenge his findings or the Welsh Government's implementation of them.

3.148 However, those consortia must be consistent and coterminous with the new local authority areas that we have proposed. At present, Bridgend is covered by the south Wales central consortium and Neath Port Talbot by the south west and mid Wales consortium. This coincidentally follows the boundaries of the fire services, and creates the same issue that we identified in the previous chapter. All of our recommendations on restructuring would combine Neath Port Talbot and Bridgend into a single local authority, whether or not also including Swansea. That local authority must be served by a single school improvement consortium. As with the fire service, we have no firm view on whether this should mean moving the boundary of

the south Wales central consortium westwards (to include Neath Port Talbot and, depending on the option chosen, Swansea) or that of the south west and mid Wales consortium eastwards (to include Bridgend). But one or the other should be implemented. Accordingly, **we recommend that the Welsh Government aligns the boundaries of the four school improvement consortia with those of the new local authorities.**

Planning

3.149 The Welsh Government has announced its intentions to reform the planning system by means of a Planning Reform Bill in the current Assembly session.[83] Amongst other things, the proposed Bill would aim to:

- Reform responsibility for planning functions. The Welsh Government would be responsible for formulating a National Development Framework, and for making decisions on the largest infrastructure projects; and
- Facilitate changes to the number of planning authorities and their responsibilities.

3.150 The thinking behind the Bill reflects some of the themes of this chapter – for instance that there is insufficient capacity within the planning system as it stands, in particular to deal with specialised, high-profile and/or strategic planning matters. It also reflects some of the concerns we have expressed elsewhere in this report around national strategic direction. In that sense it is consistent with our findings and recommendations.

3.151 It will be important to maintain that consistency. **We therefore recommend that the Welsh Government and the National Assembly for Wales should approach the Bill and its implementation in line with our wider recommendations**. If our proposals on scale are accepted, for instance, there may be less of a need to aggregate some planning functions at the national level. Our recommendations in the previous chapter on National Park authorities – which also have planning responsibilities – are equally relevant here.

Economic development, transport and infrastructure

3.152 Both the Welsh Government and local authorities are responsible for promoting the economic development of Wales and for developing and maintaining transport and other infrastructure which supports business and sustains a strong and vibrant economy. In a climate of austerity – not only in the public sector but more generally – it is clearly vital that these functions are discharged coherently, consistently and

[83] Welsh Government *Positive Planning: Proposals to reform the planning system in Wales*. Consultation document WG20088, December 2013

effectively.

3.153 We received occasional and largely anecdotal evidence suggesting that this area would benefit from a clearer separation of roles between national and local government. In particular, some argued that responsibility for strategic transport planning and economic development should become solely a national function rather than a local one. However, we did not hear enough evidence to reach firm conclusions on this specific point.

3.154 Nonetheless, the broad arguments have some merit. Duplicating responsibility at national and local level risks a lack of co-ordination and inefficiency, which is not in the interests of the public sector, businesses or the wider economy. Part of the problem may be that local government's responsibilities in this field are not well-defined: local authorities rely largely on broad discretionary powers to support economic development, rather than complying with specific statutory duties. That makes it hard to demarcate responsibility formally, and to establish clear and complementary responsibilities at the local and national level.

3.155 As elsewhere, the case for reform would need to be evaluated in the context of our wider recommendations on scale and local government restructuring. Larger local authorities should be better capable of addressing strategic economic, transport and infrastructural issues, and of doing so in effective partnership with other parts of the public sector and with business.

3.156 As we did not receive conclusive evidence, we make no firm recommendations in this area. But we believe it would be worthwhile for Welsh Government and the new local authorities, in consultation with business interests, to consider and agree a complementary and coherent division of responsibility for economic development and strategic transport and other infrastructure functions.

City regions

3.157 Finally, there are specific proposals to integrate economic development, transport, planning and housing functions at the level of so-called 'city regions'. A persuasive case was made for city regions in a report[84] commissioned by the Welsh Government in 2012, on the basis that only working on this scale could maximise the potential of major cities to drive economic growth. In particular, the report argued that infrastructure should be planned and delivered on a scale which reflected each city's socio-economic influence, which normally extends well beyond the boundaries of the relevant local authority. The report thus proposed at least two city regions in Wales,

[84] Welsh Government July 2012. *City Regions: final report*.

one covering Cardiff, Newport and the surrounding area and one covering the Swansea area.

3.158 Some progress has already been made in both areas, with Boards for both the Swansea and South-East Wales regions being appointed during the course of our work. The Welsh Government's current position supports the concept of city regions in principle, but leaves their creation to local authorities and other local partners.

3.159 We support that view. The case for city regions speaks for itself, but, as the Welsh Government has consistently stated,[85] it relies on commitment, flexibility and cooperation between local agencies, rather than a rigid top-down approach. This is an emerging area of policy, and again we do not make any firm recommendations. But as with other initiatives, there is a clear need to ensure that the establishment and development of city regions proceeds in ways which are consistent with our wider recommendations, including in particular our proposals on complexity in Chapter 2, governance in Chapter 4, and scale in this chapter. It would be highly regrettable if city regions proceeded in ways that increased overall complexity or weakened governance.

3.160 The city region concept does not apply well to much of mid and north Wales, where there are no major urban centres with a sufficient economic impact. Nonetheless, the establishment of city regions in south Wales may help inform wider consideration of how services related to economic and infrastructure development should be delivered at local, regional and national level.

3.161 We believe the actions we propose in this chapter will significantly improve the ability of the public sector to withstand the pressures placed on it. Alongside our recommendations in the previous chapter, they will also help to create public organisations which have more scope and more capacity to act strategically, flexibly and creatively to the needs and priorities of those that they serve. To make the most of that scope and capacity, though, organisations themselves need to be effectively governed and held to account. Only then will they be able to deliver services in the most effective and responsive ways. It is to those issues that we turn next.

[85] Written statement to the National Assembly for Wales by the Minister for Business, Enterprise, Technology and Science, 14 December 2012 ; oral statement, 19 November 2013, http://www.assemblywales.org/docs/rop_xml/131119_plenary_bilingual.xml#111076

Chapter 4: Governance, Scrutiny and Delivery

Introduction

4.1 The governance of Wales has received more attention in the last twenty years than in the preceding centuries since the Acts of Union. The existence of the Silk Commission (part 2 underway as we undertook our work) and the forthcoming referendum on Scottish independence, the relatively recent introduction of police and crime commissioners and proposals for a referendum on European membership all demonstrate that serious questions of governance are live across the UK and not of mere philosophical or academic interest.

4.2 Our remit placed governance and delivery at the heart of our work: "an opportunity to consider how public services are governed: that is, held accountable for their performance and delivered most effectively to the public." The link between governance, accountability and performance is in our view critical. Governance is not just a set of dry or bureaucratic processes; it is the means by which organisations identify and act on the need for change in what they do and how they deliver it. Our public meetings across Wales reflected that – people in Wales might not have always used terms like governance and accountability, but individuals who wrote or spoke to us had strong views on how they were represented, how decisions were made and how they could understand and influence the delivery of public services in their area. These are all key issues of governance.

4.3 In a public service system which does not rely on competitive choice, the voice of the citizen, either directly or mediated through effective representation, must be harnessed as a force for improvement. This points to a critically important role for scrutiny and also for public engagement. This role extends beyond merely drawing attention to poor (or excellent) service, into issues of individual responsibility, co-design and co-production. We heard that public sector organisations cannot tackle the challenges and issues of society alone, whether this is recycling and waste management or public health or social care. Early intervention and prevention are key but this approach needs a new relationship with citizens to create and use social capital.

The public services need to avoid becoming 'parental' and greater investment is needed in preventative solutions with individual and citizen responsibility clearly demarked as part of the outcomes. Flintshire County Council response

This can only happen if the governance and decision-making processes within organisations are open, agile and flexible enough to embrace new ideas and to respond to pressure for change. In our work we therefore also explored how governance, accountability and scrutiny within and between organisations should support this approach to citizen engagement and how they can use that to drive improvement in performance and delivery.

Key concepts

4.4 There are numerous definitions of governance, accountability and scrutiny. We set out in the introduction the definitions we adopted. The principles of good governance have been widely articulated – by Cadbury for example in the private sector, in public sector specific standards such as for the NHS[86] and more widely for the public sector by the Independent Commission on Good Governance in Public Services. The last of these specifies six principles for good governance:

- Focusing on the organisation's purpose and on outcomes for citizens and service users;
- Performing effectively in clearly defined functions and roles;
- Promoting values for the whole organisation and demonstrating the values of good governance through behaviour;
- Taking informed, transparent decisions and managing risk;
- Developing the capacity and capability of the governing body to be effective; and
- Engaging stakeholders and making accountability real.

4.5 We cover the first three principles extensively elsewhere in this report - "promoting values for the whole organisation" in Chapter 5, for example; "performing effectively in clearly defined functions and roles" in Chapter 2, and "focusing on the organisation's purpose and on outcomes for citizens" in Chapters 5 and 6. We focus here mostly on the final three – how and how well organisations make decisions; the effectiveness, capacity and capability of the governing body; and how organisations are held to account for their own decisions, hold others to account and engage with stakeholders.

… public sector organisations operate in complex legislative, political and local contexts, in which they have to make difficult decisions. Well-governed organisations balance their different responsibilities and use information to decide where to allocate effort and resources to meet competing demands. Good governance supports effective decision making; poor governance is often seen (in hindsight) as creating the climate, structures and processes that lead to poor decisions.[87]

[86] Good Governance Institute/ HQIP. *The Good Governance Handbook*
[87] Audit Commission ,2003. *Corporate Governance: Improvement and trust in local public services*

4.6 Good governance is not only the role of members of the Board, cabinet or senior leadership team but part of the values of the whole organisation. The standards above were developed and defined around the governance of organisations and services. As we set out earlier in this report, services for individuals and their families and outcomes for Wales are frequently best met through multi agency delivery and agreement. This points to a need for good governance at the level of both local and national partnerships. The Public Policy Institute review noted that "while there is widespread agreement that partnership governance presents accountability challenges, few have offered clear solutions to these accountability problems."[88] There is however, a growing consensus that plural forms of accountability are required. Citizen Governance" enables organisations to make accountability real to the wider community. Defined as putting the citizen at the heart of everything and focusing on their needs and experiences, this model engages service users to help drive delivery of a high quality service. It offers new ways for citizens and users to engage in shaping and deciding local public policy.[89]

4.7 Accountability is included in the Nolan seven principles: "holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.[90]" This is not just a democratic or ethical end in itself. It is critical to understanding and responding to needs and priorities, and thus to improving delivery and performance. Scrutiny is thus one of the key mechanisms for accountability. It is most often used in reference to the formal local authority scrutiny function but our treatment here covers a wider interpretation including citizen scrutiny. Scrutiny can be continual or ad hoc, and either structured around formal processes or a more fluid dialogue. All must operate effectively if we are to secure the public services Wales expects. It has been said that "decisions that are transparent and accountable are inherently better decisions[91]" and that "sunlight is the best disinfectant".

The evidence we received: governance

4.8 Failures of governance have been all too common in recent years, in Wales and elsewhere, and in the public, private and third sectors. This necessarily informed and underpinned our work. The Francis report into the failures in the Mid Staffordshire NHS Trust, and the continuing effect of failures of regulation and governance in the banking and finance sectors, demonstrated the often critical impact of such failures.

[88] Ashworth, R. and Downe, J. 2013 *Achieving Accountability in Public Services.* Research prepared for this Commission.
[89] Joseph Rowntree Foundation, Marian Barnes et al, 2008. *Designing citizen-centred governance*
[90] Lord Nolan, 2005. First report of the Committee on Standards in Public Life
[91] "Effective Scrutiny" Andrew Davies speech to WCVA conference, 2010

Within Wales, as the Welsh Institute of Health and Social Care said in its evidence to us:

The recent failures in oversight and delivery of public services have shown that we cannot be complacent about the effectiveness of governance, the ability, knowledge, support and experience of board members and the strength of the process that underpin robust scrutiny and performance management.

There is some good evidence from a variety of different fields that there is an association between good governance and good organisational performance…The emerging evidence is that ***high performing boards*** *concentrate on shaping strategy, resource identification and use and talent management…There is also evidence in support of having a majority of outside non executive directors in order to provide independent challenge*.[92]

These failures included:

- **Betsi Cadwaladr University Health Board**: Work undertaken by the Healthcare Inspectorate Wales and the Wales Audit Office towards the end of 2012 identified a range of challenges in relation to the Health Board's governance arrangements. These included a lack of clarity around accountability arrangements and deepening concerns that the Board collectively lacked the capability and capacity to provide the appropriate levels of scrutiny in relation to service delivery. The Public Accounts Committee of the National Assembly for Wales subsequently undertook a short enquiry, publishing its report on 10 December 2013.

  Most significantly we [WAO/HIW] have concerns that the Health Board's governance arrangements and organisational structure are compromising its ability to adequately identify problems that may arise with the quality and safety of patient care.[93]

- **Isle of Anglesey County Council**: Long-standing concerns about the Council's corporate governance, and about the role of elected members in particular, led the then Auditor General to initiate a Corporate Governance Inspection in the late spring of 2009. His report concluded that the

  Council has a long history of not being properly run, from its inception in 1996 to the present day […] Weak self-regulation of inappropriate behaviour and conflict has had a corrosive effect and has wasted Council resources; and the Council is poorly placed to meet future challenges, including its duty to secure

[92] Comforth, Chris and Chambers. 2010. *The role of Corporate Governance and Boards in Organisational Performance*. Cambridge University Press

[93] WAO/HIW June 2013. *An Overview of Governance Arrangements: Betsi Cadwaladr University Health Board*

continuous improvement, because of a lack of direction, corporate leadership and accountability.[94]

Addressing those problems required almost four years of Welsh Government intervention, including the appointment of Commissioners to run the entire Council for two of those years. Although ultimately successful[95], that was an unprecedented step in the history of British local government.

- **Caldicot and Wentlooge Internal Drainage Board:** WAO published a 'report in the public interest' which followed concerns regarding an audit of 2010/2011 accounts. They reported that: *The Board's failure to introduce key governance policies and procedures has contributed to major governance failings within the Drainage Board's operations.*[96]

- **Caerphilly Council senior officers pay:** In March 2013 the Wales Audit Office reported a "failure in governance arrangements and inadequacies in the processes adopted by Caerphilly County Borough Council to determine the pay of chief officers."[97] Failures in proper governance, which included not following proper procedures for the decision making process of the Council's Senior Remuneration Committee, or for advertising its meetings in advance, rendered the decisions taken by the Committee as "unlawful". A police investigation into this matter was on-going at the time of writing.

- **All Wales Ethnic Minority Association (AWEMA):** The joint report on AWEMA by Internal Audit Services of the Welsh Government and the Big Lottery Fund, published on 9 February 2012[98], identified what it described as 'significant and fundamental failures in the control and governance framework within AWEMA'. The Wales Audit Office summaries the findings of this report which found weaknesses related to: governance arrangements in relation to the operation of AWEMA's Board and management; financial controls and processes; an absence of key policies and procedures; and an organisational structure that did not adequately support AWEMA. The report concluded that: We cannot provide any assurance that there are appropriate arrangements in place to safeguard and make proper use of the Welsh Government, WEFO and the Big Lottery Funds entrusted to

[94] WAO July 2009. *Isle of Anglesey County Council - Corporate Governance Inspection*
[95] The Council resumed full control of its functions and services in May 2013.
[96] WAO October 2012. *Audit of Accounts 2010-11 - Caldicot and Wentlooge Levels Internal Drainage Board - Report in the public interest*
[97] WAO March 2013 *Audit of Accounts 2012-13 - Caerphilly County Borough Council- Report in the public interest*
[98] Joint report by Internal Audit Services of the Welsh Government and the Big Lottery Fund 9 February 2012. *A Review of the Effectiveness of Governance and Financial Management within the All Wales Ethnic Minority Association (AWEMA)*

AWEMA." Again, further investigations took place, which led to individuals being charged with criminal offences.

4.9 These are only some of the more high-profile failures in recent years. Despite this, most organisations' responses to our call for evidence contended that their own arrangements and arrangements for their sector were in place and operating effectively.[99] For example Conwy County Borough Council said in their written response that "Our existing regulatory, scrutiny and governance arrangements are not too complex and are working well – a view endorsed by WAO." However, there were widely expressed views that different governance arrangements between organisations and sectors made joint working difficult and, equally, that governance arrangements, including accountability arrangements, for joint working were not operating effectively. The fire services felt that greater integration with the Wales Ambulance Service Trust had been prevented by issues of size, governance complexity and culture whilst several respondents referred to the difficulties of joint working between health and local government. As we set out in Chapter 2, a number of respondents felt that governance arrangements for collaborative or partnership delivery brought complexity and ambiguity and that this led to poor and/or unaccountable decisions and reduced scrutiny. In some cases, partnerships themselves were unable to act without continually referring back to their constituent members, thus increasing ambiguity, complexity, delay and cost. Research commissioned by the Welsh Government and evidence provided as part of the consultation showed that scrutiny of Local Service Boards was variable. Some LSBs had no scrutiny arrangements in place at all whilst others have dedicated LSB scrutiny committees.

The accountability and governance arrangements of local government and NHS are different and this can make collaboration, which needs to be signed off politically, a much lengthier process and at times this will put barriers in the way of such collaboration. (Merthyr Tydfil County Borough Council)

There was recognition too that this meant poorer accountability to citizens directly or to their representatives:
Emerging regional structures will present special challenges in terms of governance, accountability and scrutiny. Such collaborative arrangements can blur accountabilities for organisations and citizens. (Carmarthenshire County Council)

The introduction of Local Service Boards and a regional footprint for the NHS has resulted in less public involvement and reduced accountability. Local and regional partnerships have been created which consist only of executive officer membership, which set strategic direction and create frameworks for local decisions on public

[99] Vale of Glamorgan Council

service provision. Where it exists third sector engagement is tokenistic, yet represents the only voice of the citizen, service user or provider. (Association of Voluntary Organisations Wrexham (AVOW))

Consortia have different governance models, different frameworks for categorizing schools and different entitlements in terms of the support and officer days they offer to schools. There would be an advantage in having common governance models for LAs and consortia across Wales so that schools everywhere knew what they could expect. (Estyn)

There can be no doubt that collaboration is making performance management and accountability more complex, education collaboration is over seven authorities with three hubs (in our case two authorities, the hub reflecting the real improvement focus…social care collaboration is over three authorities and one LHB; waste management is over five, seven or nine LAs, the City region is four or five LAs. (City and County of Swansea Council)

4.10 The importance of democratic governance was expressed to us by several respondents.

In terms of governance, we would repeat our concern that the special role of local government as a democratically accountable organisation whose elected Members are directly accountable to the local electorate is not given the recognition it deserves. (Carmarthenshire County Council)

Local Government is more than a service deliverer. Local councils have a unique role as democratically elected accountable bodies with a community leadership role enshrined in legislation. (Welsh Local Government Association)

There is *a democratic deficit… in the Welsh NHS. It is important that we get to grips with this issue and restore some public confidence in decision-making in our national health service….The way in which consultations have been handled in north and west Wales, and the way that the outcomes of those consultations have been disregarded by decision-makers in local health boards, with no-one to whom to appeal about it…has been very disappointing. We have to get on top of that somehow.* (Centre for Public Scrutiny)

Overall, it is clear to us that governance is much more problematic than the bland assurances we received from many organisations would suggest. There have been conspicuous failures within organisations, and widely-acknowledged problems between them. We are particularly concerned that public sector organisations seem to detect weak governance only with hindsight, or when it arises in other organisations or partnerships. This suggests that the critical importance of governance to accountability and improvement is not adequately acknowledged,

and/or that the influences and pressures on governance mechanisms are not strong or clear enough. It is to that issue we turn next.

The evidence we received: scrutiny

4.11 Whilst we considered scrutiny as a broad concept, the effectiveness of the local authority scrutiny function in particular was raised with us by many. Much of our evidence and analysis reflects that, but many of our findings are equally relevant to other scrutiny mechanisms such as community health councils or non-executive directors. We found that, as with governance, there is increasing guidance on effective scrutiny such as the work by the Centre for Public Scrutiny and their Guide to Good Scrutiny. Scrutiny should add value to decision making and service delivery at four key stages, providing constructive and genuine challenge by:

- Examining processes and making recommendations;
- Monitoring performance;
- Evaluating outcomes; and
- Encouraging aspiration in service delivery.[100]

4.12 Such scrutiny should hold executive decision-makers to account retrospectively for decisions they have taken as well as contributing to the development of future policies and programmes, bringing a greater diversity of views to these processes than would be the case if they were wholly closed. It follows that those charged with scrutiny must be separate from and independent of those charged with decision-making: no-one can scrutinise decisions they themselves make or plan to make without creating an inescapable conflict of interest.

4.13 Despite the widespread emphasis on scrutiny as a formal and political process, it must entail much more than one group of politicians trying to find fault with another. At its heart it seeks to introduce pluralism into governance, accountability and decision-making. So individuals outside an organisation – in particular citizens, interest groups and third sector – should have an opportunity to be part of the process providing an easy means of bringing issues and concerns to the attention of scrutiny committees or similar mechanisms.

4.14 We were aware that there is ongoing work on defining the characteristics of good scrutiny in more detail, by the Welsh Government, regulators, academics and scrutiny practitioners. We return to this later in this chapter, where we seek to distil this work into a set of characteristics which we believe should be universally adopted.

[100] Centre for Public Scrutiny

The policy context

4.15 Scrutiny is perhaps best developed in local government, at least in formal and structural terms. The Local Government Act 2000 created a separation between a decision-making executive and scrutiny committees within each council. Prior to that, decisions had been taken in service-specific committees with all members serving on at least one such committee. The change sought to strengthen local authorities' ability to deliver effective community leadership, democratic renewal and continuous improvement in services, and to establish clear and separate responsibility for delivery and scrutiny.

4.16 The concept is less well developed elsewhere in the public sector. As we explain in Chapter 2, all public organisations are subject to multiple and often confusing accountability mechanisms, for instance to regulators, other tiers of government and the National Assembly for Wales. But that does not typically include the clear relationship (if in practice often an ineffective one) which exists between a local authority executive and its scrutiny committees. Our recommendations in this chapter and in Chapter 2 aim to address this in specific cases.

4.17 In respect of formal scrutiny, the Beecham Review of Public Service Delivery in Wales (2006) concluded scrutiny was potentially a strong lever for improving delivery by holding council executives and other public bodies to account and by contributing substantively to policy development. The review recommended scrutiny at the local level should work across organisational boundaries, should be inclusive, forward looking, extend to all services, and involve a broad spectrum of stakeholders.

4.18 The Welsh Government is consulting on a proposed 'Designated Persons Order' under the Local Government (Wales) Measure 2011, which would empower scrutiny committees to scrutinise other local public bodies, besides the local authority. This already occurs in some places by agreement; the Order would formalise that and gives scrutiny committees powers to summon other bodies to give evidence. These provisions, if enacted, would mean that local authorities could scrutinise the bodies listed below and call them to give evidence.

- Town and Community Councils;
- Local Health Boards;
- NHS Trusts;
- Fire and Rescue Authorities;
- National Park Authorities;
- Registered social landlords; and
- Third sector organisations which provide public services.

4.19 It was clear that arrangements for scrutiny of local government services had undergone fundamental change in the last decade. The Designated Persons Order will bring further significant change to that local government scrutiny function which will impact on the wider public sector and service landscape. There has been an increasing recognition of what constitutes good practice in scrutiny.

4.20 However, the evidence we received indicated that the current mechanisms have significant weaknesses.

4.21 We heard mixed views on the impact of political scrutiny in local government at present. *Scrutiny arrangements should be built in from the start, there is a lack of clarity over what local government scrutiny bodies are expected to scrutinise. There are problems surrounding the complexity of organisational arrangements, the competence of councillors and the acceptance and legitimacy of "amateurs" scrutinising public bodies.* (Local authority scrutiny chair, Haverfordwest public meeting)

4.22 The view from the Independent Remuneration Panel was that while the cabinet system was well understood, scrutiny was as yet still not embedded. For some elected members the shift from the committee approach to one of executive and scrutiny was unwelcomed, bringing, as they saw it, a reduction in the influence of the "ordinary councillor" and that the committee structure had been "more open."[101] We heard from those involved in scrutiny, including scrutiny chairs, that scrutiny was simply reactive, receiving whatever the executive chose to place before them.[102]

4.23 We heard firm views on the capacity and capability of political scrutiny. The majority of respondents thought **scrutiny was under-developed** - that the factors for credible scrutiny were not all in place consistently:

*need to ensure scrutiny committees within local government are resourced and members fully understand responsibilities, scrutiny has improved but more needed to ensure it holds Local Government to account. More needed on good practice to support scrutiny. (*Public Meeting, National Eisteddfod)

*the quality of scrutiny is poor and there needs to be better processes and an improved culture of good scrutiny. (*Public meeting, Haverfordwest)

[101] New Tredegar public meeting
[102] Public meetings, Haverfordwest and Gorseinon

the quality of local government political scrutiny was highly variable. (Regulators – Oral Evidence)

*overall we would question whether the citizen, whether as patient, or carer, or the wider public is sufficiently empowered within public service organisations to play their part in effective governance and scrutiny, in a way which leads to improvements in service through co-production. (*Welsh NHS Confederation)

A common shortcoming in many local authorities where scrutiny arrangements are only adequate is that reports to scrutiny are not evaluative and analytical enough and nor are they wide ranging in scope. Self-evaluation reports in unsatisfactory LAs do not identify unsatisfactory progress in schools and data analysis is poor. Reports are often too descriptive and do not focus enough on evaluating the impact of services, often because they are not being monitored well enough. (Auditor General for Wales)

4.24 The extension of local authority scrutiny to other public services through the Welsh Government's Designated Persons Order was noted. Some felt that there was a challenge to apply this effectively. The Independent Remuneration Panel, for example, was unconvinced that local authorities would be ready for this extension as it considered that local authority scrutiny was under-resourced and under supported.

4.25 The WAO was undertaking a study on local government scrutiny during the period of our work. Its headline conclusions, (below) were shared in draft with us ahead of publication and these confirmed the picture we had heard and set out above.
Local Government scrutiny is improving but there is more to do to ensure consistently rigorous scrutiny and to increase public accountability in decision making:

- *Some lack of clarity of roles and responsibilities;*
- *Need for better planning, more effective chairing, and improvements to the range and quality of information;*
- *In general, scrutiny is not aligned with other council improvement processes or with external audit, inspection and review;*
- *More effective engagement with the public and partners is needed to improve scrutiny and increase public accountability;*
- *The outcomes from scrutiny activity are not always clear despite a significant investment of time and resources in the scrutiny process.*

4.26 In the same way that scrutiny was not always valued from the perspective of those undertaking the role, we heard, too, that neither political scrutiny nor the other formal processes of audit, inspection, regulation were valued as tools for improving effectiveness and responsiveness. There was a culture of defensiveness and passivity.

Organisations could be defensive when confronted with critical findings. (WAO)

*Pembrokeshire Council just seem to want to meet the legal requirements [for scrutiny] and go no further. (*Public meeting, Haverfordwest)

…there needs to be better processes and an improved culture of good scrutiny – local authorities are bypassing transparency as they are afraid of bad news.

(Public meeting, Llandudno Junction)

Audit, inspection and regulation

4.27 While only some public organisations have formal scrutiny mechanisms, all are held to account by processes of audit, inspection and regulation. We have already highlighted in the complexity chapter the need to streamline audit, inspection, regulation and scrutiny in order to reduce duplication, needless complexity and avoidable management burden. A duplication of activity has certainly contributed to a perception of inconsistent practice and "mixed messages from regulators as to what is acceptable practice."[103] As we explain in Chapter 2, this adds to the sense of having to manage complex relationships and competing pressures, rather than improving delivery. Without a clear message it may be hard for organisations to implement necessary change.

4.28 We heard too that whilst audit, inspection and regulation can effectively identify the need for change and improvement, organisations do not always respond well or effectively to this. We were told that organisations may choose to ignore or deny the validity of findings and fail to act on them; recent failures of services or in organisations substantiate this. Some organisations fail to take action on problems identified through other means until they are picked up through an inspection. For example, the Chief Inspector of Education and Training noted in her evidence that it was reasonably common for local authorities not to take action to improve a school they knew to be failing until Estyn formally repeated that conclusion, but all the inspectorates were critical of this failing. There was also evidence of critical findings not being reported to scrutiny committees. This is partly a cultural problem but it also indicates a weak governance structure and accountability framework, which allows or condones this approach.

4.29 Overall, our evidence gives a clear sense that scrutiny and accountability mechanisms are often inadequate. They typically lack resourcing and influence; and decision-makers appear all too ready either to ignore or merely tolerate them, rather than using them as a means of identifying opportunities to improve and means for doing so; or of strengthening the evidence base for decisions and broadening the ownership

[103] Powys Local Service Board

of them. That mirrors our evidence on governance above: once again, there tends to be too much emphasis on formal compliance with a set of processes and not enough on using them to best effect. That same emphasis tends to mean that scrutiny is too closed and too insular, and does not fulfil its potential to engage citizens and communities in accountability and influencing decision-making.

Public engagement

4.30 It is self-evident that the basic purpose of any public service organisation is to serve the public. To do so, it needs a full and intimate understanding of the needs, priorities and preferences of citizens and communities. That is all the more true when, as in Wales, public service delivery is driven by accountability and dialogue, not consumer choice. Without effective public engagement there can be no effective governance, and no consistent service improvement.

4.31 Despite those imperatives, we heard that dialogue between service providers and communities is generally inconsistent and often poor. Diverse Cymru highlighted that service delivery tends to be *"*rigid and defined according to a standard pathway*"* and that there was a lack of responsiveness and flexibility. At our public meetings several attendees highlighted the need for decisions to be taken as close as possible to those affected and people often expressed the view that they felt disengaged from decision making. At our public meeting in Gorseinon this was particularly highlighted in relation to the lack of citizen engagement with local health boards. Sustainable Futures Commission for Wales identified "significant weaknesses in how the public sector engages with citizens" and suggested that "processes of community planning very rarely really engage local people…There is still too much top down delivery of services with a "we know best" attitude."

4.32 Although there is evidence that people in Wales are reasonably content with the major public services (as demonstrated by the 2013 National Survey for Wales), citizen engagement influences perceptions of service quality in two ways:

i. those who feel they are kept informed of service performance and feel they can influence decisions are more likely to report they are satisfied with services; but
ii. those who feel they would like more information or would like to be more involved in decision making are less likely to say they are satisfied with services.

4.33 The National Survey for Wales also showed that people would like the public sector to engage more effectively with them. 47% of those who participated agreed, which was higher than the 36% who felt the same way in Scotland. This suggested that there is an appetite for greater engagement from public service organisations but that barriers exist.

4.34 The Isle of Anglesey County Council and others agreed that there was a need to seek more "consistent engagement to influence policy development and service delivery." although other respondents thought we must accept that people get involved when it feels personal to them and that we should have "caution over-idealising some Utopian state of maximum citizen involvement."[104] We heard that consistent participation remains elusive – only controversial policies and decisions draw the public into the process - there is no sustained interest. [105;106] Part of the problem may result from "citizens generally not understanding the arcane workings of organisations such as councils and the decision making process more generally."[107] Nevertheless, we also heard of the opportunities for using stronger citizen and workforce engagement to make real changes in the approach to delivery.

Public focus groups meeting with service providers help to shape what services the public actually need rather than what professionals think they should need. (Dr Helen Paterson)

*… genuine workforce engagement is needed to help improve services. (*Wales TUC)

4.35 Evidence from third sector organisations expressed a frustration that the relationship between the public sector and third sector has not been maximised. The third sector can provide "an essential route to accessing user/community experience of services."[108] and can help to ensure the systematic and sustainable engagement of communities as well as the expertise of the sector in diverse policy and service areas. Engagement in scrutiny has been a consistent thread in responses. WCVA felt that *third sector organisations have vital roles to play in scrutiny: groups can assist in scrutiny committees through providing advice, expertise, and frontline evidence and most importantly by providing a conduit to citizens' voices*.

4.36 Service users and some service providers have also recognised the value that citizens would play in improving the robustness of scrutiny. We heard that "service users should be incorporated into scrutiny and performance management; that there needs to be citizen engagement throughout; that local scrutiny needs local involvement; and some attendees also felt that scrutiny was currently weak on citizen voice." [109]

4.37 As the Federation for Small Businesses (FSB) reminded us:
often the most valuable engagements with citizens is their role as customers of the

[104] Flintshire County Council
[105] Denbighshire County Council
[106] Isle of Anglesey County Council; Chief Fire Officers; Merthyr Tydfil County Borough Council;
[107] Powys Local Service Board; Conwy County Borough Council
[108] Welsh Council for Voluntary Action
[109] Comments from public meetings in Cardiff, Wrexham and Haverfordwest

services provided by the public sector …There needs to be explicit recognition that "service users" will sometimes be businesses rather than individual citizens and this needs to be taken into account when considering engagement and accountability.

4.38 Our evidence on public engagement gives a clear sense of unrealised potential. Unsurprisingly, there was widespread recognition of the need to engage fully with citizens, but an equally common acknowledgement that processes and practices for doing so were sporadic, inconsistent and often ineffective. This again reflects the evidence we heard on governance and on scrutiny: formal processes exist but are not used to best effect. In particular, there is little or no evidence for public engagement (or scrutiny) driving improvement in delivery. That is a major concern: as we explain in Chapter 6, the Welsh model for improving performance relies implicitly on scrutiny, accountability and engagement mechanisms rather than on consumer choice. Their apparent weakness needs urgent attention, and in the next section we set out our findings and recommendations on that.

Governance and scrutiny: our findings and recommendations

4.39 As part of our evidence gathering we commissioned an evidence review by the Public Policy Institute for Wales.[110] That work provided an overview of recent debates and research evidence to address questions that we felt were relevant to our work:

- How to enhance political accountability;
- How to improve the effectiveness of regulatory accountability; and
- How to improve the accountability of public service partnerships.

The research evidence pointed to 4 principal conclusions which we have drawn on in considering the evidence we have received and the conclusions we have drawn.

- Successive reports and reviews have attempted to encourage and instil a respect for scrutiny and accountability within Welsh public service. However, the research evidence suggests that **Welsh public service organisations often fail to demonstrate sufficient openness and commitment to accountability**. There is an urgent need to develop a 'culture of responsibility' where accountability is recognised as both a virtue and a hallmark of effective public services;
- **The increasing importance of partnership working presents a challenge to traditional accountability mechanisms**. If partnerships and networks remain as loosely-knit, strategic discussion forums, then it maybe that some slight tweaking of the existing accountability system is all that is required. However, if there is widespread integration of budgets, facilities and delivery responsibilities, then a more significant adjustment to current arrangements will be needed. The research

[110] Ashworth and Downe, *ibid.*

evidence suggests that this will need to allow for plural forms of accountability which include horizontal and vertical mechanisms, and internal mechanisms will have to be supplemented with external mechanisms, in the form of regulatory and political accountability;

- **There are very few examples of effective collaborative scrutiny** and public service organisations will need to devote more resource and capacity in order to encourage its development; and
- It is clear that regulators in Wales have become more responsive to those they regulate, but they have failed to engage the public as potential assessors of public service performance, partly because their activities focus mainly on evaluating structures and processes, rather than service outcomes and partly because of the kinds of data they produce.

4.40 Taken together, the evidence, information and research we received indicated to us that the key systems, processes and people aspects of governance and scrutiny were not operating effectively enough to support and drive improvement or change delivery. The governance arrangements in place within organisations were not consistently providing internal challenge or recognising and responding to citizens' voices. Governance of organisations working together locally, nationally and regionally was not always clear and straightforward; this meant that opportunities for improvement were lost or made more difficult. It also meant that strategic decision making was hampered and implementation slow. External challenge was also weak – scrutiny of organisations was highly variable, and scrutiny of joint working was not always in place or effective. Both governance and scrutiny must be able to support innovation, measured risk and learning from mistakes but there was a culture of defensiveness in responding to scrutiny, audit, inspection and regulation. Opportunities to harness these latter processes together to create strong rather than confused accountability were not being taken. Citizens were not strongly engaged in scrutiny or in defining and designing delivery. Good information was not always being provided to support either internal or external challenge.

4.41 The key issues are therefore:

- How **high standards of governance within organisations** can be continuously embedded;
- How **partnership and collaborative governance and accountability can be strengthened** and how strategic national and local partnerships can be strengthened and used;
- How **scrutiny can be given priority, stature and support**; and how its capacity to drive improvement can be strengthened;
- How **information can support scrutiny and governance**;
- How **audit, inspection and regulation can support scrutiny and governance**; and

- Finally, given the importance of the health service and the extensive comments we received in public meetings on this key service, we consider **how these and other factors must be reflected in the governance and accountability of the NHS**.

Scrutiny must be given stature, status and support

4.42 We identified scrutiny as perhaps the most underdeveloped of the levers Wales has to improve performance and it is therefore to this that we turn first. While many of our recommendations are framed with reference to the local authority scrutiny function, it is essential that others in scrutiny roles take note of and apply these broad findings. The first issue our evidence identified was that **the fundamental importance of scrutiny in driving improvement was not recognised**. Scrutiny is not sufficiently valued either by those who undertake it or by those who receive it. That applies across political and public scrutiny, and other formal accountability mechanisms, such as audit, inspection and regulation.

4.43 The changing nature of scrutiny at UK and Wales levels may be instructive here. The improvement in stature, visibility and impact of the scrutiny committee work in the House of Commons and the National Assembly for Wales has, at least in part, been due to the increase in independence of members. In the House of Commons this followed the introduction of elections for chairs and members from 2010 in line with the report of the Select Committee on Reform of the House of Commons in 2009. This reduced the control of the political parties and strengthened the sense that a career path in effective scrutiny was available and valued. In the National Assembly for Wales, the separation of the executive and legislative arms clarified the responsibilities of members and strengthened the independence of the committees to provide effective and constructive challenge. In both Parliament and the National Assembly for Wales' models, there has been a commitment to constructive challenge rather than partisan fault-finding and to cross party consensus on reports.

4.44 It was put to us that, in local government, the current arrangements did not support the independence of scrutiny or provision of support for scrutiny because there was no formal separation of executive and council. If this was done, this would in effect create two separate legal entities for each local authority. Something similar already exists on a larger scale in London, where the Mayor is elected separately from, and is scrutinised by, the London Assembly; a similar model applies in much of the United States.

4.45 While there are good arguments in principle for as clear a separation as possible between executive and scrutiny roles, we believe full separation could create confusion: many might not recognise the distinction, in the same way that the

distinction between Welsh Government and National Assembly for Wales is not always clear to all. The law sets out which functions are for the whole council (for example agreeing the budget and setting council tax) and which for the executive. This is then reflected in more detail through each local authority's constitution. This defines a separation of executive and scrutiny roles. We did not consider that the absence of this formal separation necessarily created the current sense that scrutiny roles were less valued. This may therefore be more a question of culture and values rather than of legal structure.

4.46 A culture that values scrutiny will not come overnight but it must start with the full commitment of elected members to scrutiny and its importance. That alone would not address the issue of value – there must be similarly a culture that seeks out, welcomes and responds to scrutiny (and other opportunities such as audit, inspection and regulation). As we set out above and elsewhere, we received evidence that not all organisations viewed it this way. There must therefore be an equivalent commitment on the part of those in executive roles, and of officers, that that scrutiny is to be welcomed. This is particularly vital if the extension of local government scrutiny to other public sector organisations is to be successful: decision-makers who resist or undervalue scrutiny from within their own organisations are unlikely to welcome it from elsewhere.

4.47 **We recommend therefore that the importance, status and value of scrutiny must be prioritised, continually sustained and reinforced. To support this:**

- **All elected members, independent members, non-executive directors, and officers must acknowledge the importance and value of scrutiny in improving services for people and organisations in Wales. The independence of scrutiny must be strongly asserted and protected as must its essentially constructive and positive nature;**
- **Executive members, non-executive directors, and officers, must similarly acknowledge the value of scrutiny in helping them to deliver services better. They must publicise and explain their decisions clearly, and invite scrutiny of them, including pre-decision, willingly and openly. They must also acknowledge and respond to scrutiny reports promptly and in good faith; and**
- **As part of raising the stature and profile of scrutiny, and engaging citizens, there must be increased visibility of the outputs and outcomes from local government scrutiny.**

The capacity and capability of scrutiny to drive improvement must be strengthened

4.48 If scrutiny is to be valued it must also be effective. There was widespread acknowledgement that the power of scrutiny would be increased if it was:

- Independent and constructively critical rather than oppositional;
- Well resourced, skilled, trained and well informed; and
- Forward looking, pre-decision and policy focused, and planned.

4.49 To be effective in holding to account and constructively identifying opportunities for improvement, scrutiny must be **well resourced** to support robust and challenging scrutiny. Those undertaking scrutiny roles must be must be **trained and supported** to be able to offer constructive challenge. The evidence we considered showed that this was not often the case. There are some obvious implications arising from an under-resourced system and these have in part contributed to some major governance failures. For example, the joint inspection by Wales Audit Office (WAO) and Health Inspectorate Wales (HIW) into Betsi Cadwaladr found that the health board collectively lacked the capability and capacity to provide the appropriate levels of scrutiny in relation to service delivery and decision-making. Further afield, the Francis Report reported this as an issue in the Mid Staffordshire NHS Foundation Trust recommending that scrutiny committees should be provided with appropriate support to enable them to carry out their scrutiny role, including easily accessible guidance and benchmarks.

4.50 Much effort has gone into the development of scrutiny in recent years including the establishment of separate scrutiny support and training through the WLGA. Our research established that there is a variety of courses available, ranging from Centre for Public Scrutiny training which is open to both officials and members; specific local government designed courses and an accredited course from University of South Wales which is open to officials only. WLGA also work with local authorities to develop, commission, and deliver courses in scrutiny development.

4.51 It has been suggested that consistent and mandatory training provided to chief executives, leaders, scrutiny chairs and members across the public sector would support the acceptance of scrutiny as a clear and valued function to improve performance, validate policy and drive change as well as drive up standards and effectiveness of scrutiny practice. The Welsh Government published statutory guidance on local government scrutiny in June 2012; but this does not define what constitutes reasonable training and development opportunities. Instead, it recommends that each Democratic Services Committee has overall responsibility to define what constitutes responsible training and development opportunities for each member to perform their role effectively.

4.52 Our proposals in Chapter 5 set out how there are strong arguments for a more consistent approach to training across the public services in Wales and training in respect of scrutiny is a clear candidate for such consistency. There should be a consistent set of training opportunities across the public services in Wales which local authority members and others in scrutiny roles can access. Those involved in scrutiny have a clear responsibility to critically assess whether they have the knowledge and skills necessary to undertake their role effectively and seek out opportunities to develop as necessary.

4.53 We recognise that not every person engaged in scrutiny would require the same level of training. However, the importance of scrutiny led us to go further and to follow existing precedents in local government. Specific training is required of all members on the code of conduct and for those involved in planning decisions. Undertaking effective scrutiny is just as important as understanding the rules on personal conduct or the terms of planning law and practice, and training should be equally mandatory. Equivalent training should also be given to non executive or independent members to support their role in holding their executive to account. Equally, what constitutes good scrutiny and what outcomes good scrutiny should deliver must be clearly understood and consistently applied.

4.54 **We recommend that organisations must regard scrutiny as an investment to deliver improvements and future savings. They must resource and support scrutiny accordingly:**

- **Local authorities must make appropriate support available, at officer level, to develop co-ordinated scrutiny plans, identify gaps in expertise on the committees and provide proportionate and understandable information to committee members. Other organisations must similarly ensure that resources for scrutiny are sufficient for an effective scrutiny function;**
- **Mandatory training must be provided to all members and chairs of local government scrutiny committees. Equivalent training must also be mandatory for community health council members engaged in scrutiny roles, fire and rescue authority members, others charged with formal scrutiny. Equivalent training should also be given to non executive or independent members to support their role in holding their executive to account; and**
- **Organisations must adopt a 'best practice' approach to scrutiny, not a 'least required'. The agreed scrutiny outcomes and characteristics being prepared by the Centre for Public Scrutiny must be developed in discussion with other public sector organisations. Once agreed, they must be adopted by each organisation within 6 months.**

4.55 Effective, credible scrutiny needs more than skilled elected members provided with training no matter how knowledgeable they may become about their service area. To be well informed it also requires sufficient capacity to engage with the issues and a wide range of information, perspectives and expertise. The Welsh Government's proposed Designated Persons Order would extend local government scrutiny to other public organisations with responsibility for service delivery. The capacity of local authorities and their partners will be critical to ensuring that the extension of such scrutiny powers contributes to delivering better outcomes for citizens and communities. Local authorities may already co-opt individuals with professional expertise or useful experience on to scrutiny committees and may do so on a temporary 'issue–specific' basis, or on a more permanent basis. While democratically elected members represent their constituents they cannot be expected to reflect the breadth of users' experiences and wishes alone.

4.56 The evidence we cite above suggests that there is an appetite amongst advocacy groups and individual members of the public to engage with decision-making and to know more about their public services. The evidence we heard also suggests that to respond to the challenges ahead new ways of delivering will be required and that these approaches will need a much greater engagement with the public. We agree and feel that there is more that can be done to both improve the capacity and outcomes of scrutiny through closer engagement with other groups and that in doing so this will also improve the engagement of the public with the delivery of services in their area.

4.57 **We recommend that local government scrutiny committees and other formal scrutiny bodies must engage more effectively with the public and partners. That should include the co-option of individuals from advocacy and other groups onto scrutiny committees to increase such committees' capacity and capability to provide constructive and informed scrutiny.**

4.58 Those in scrutiny and governance roles need access to **good timely information** on key performance measures and information for them and for the public must be regular, transparent and understandable. We heard that information presented to scrutiny committees was not provided clearly enough and that they were passive recipients of what the executive chose to provide. This is not acceptable. In Chapter 6 we conclude that plethora of indicators and measures in use means that outcomes and their delivery is unclear, that a lack of differentiation in their priority means organisations lack focus and that data is collated and reported unthinkingly rather than be used analytically to reflect service quality or citizen experience. Whole organisations have difficulty understanding and using the amount of data available to them and this is magnified when considering the limited capacity and possibly

insufficient analytical capability within a scrutiny support team. For scrutiny to be as effective as it must be, the availability of good, accessible and timely information is paramount. Equally, if organisations are to listen to the 'voice of the user' then similar performance data needs to be available to the wider public and third sector in a manner which is clear, concise and presents the true picture of performance. Our recommendations in Chapter 6 address this in general terms, but we would also urge all organisations to be mindful of the needs of scrutiny in particular when reporting performance information.

Audit, inspection and regulation must support scrutiny and governance

4.59 The strongest need here is a change in culture – to use formal accountability mechanisms with an eye to the ultimate purpose of improving outcomes for citizens, both in applying scrutiny and holding to account and in receiving it. As we explain in the next chapter, changes to culture can be slow and difficult to secure. However, there is another means of creating a more positive approach to audit, regulation and inspection while also increasing its effectiveness. At present, reports from auditors, inspectors and regulators are normally addressed to executive leaders and management in service-delivery organisations. It is perhaps unsurprising (if disappointing) that they may be more defensive when faced with criticism of their own records.

4.60 By contrast, the WAO's reports about the Welsh Government are addressed to the Assembly's Public Accounts Committee (PAC), which then uses them to hold Welsh Ministers and the Welsh Government to account, mirroring long-established practice in Parliament. This strengthens the evidence base for the PAC's inquiries and gives its own findings and recommendations greater impact. More generally, it helps to ensure that the accountability of the Welsh Government to the WAO and to the Assembly are better aligned and thus both less burdensome and more effective.

4.61 We believe this approach should be taken for audit, inspection and regulatory reports about other organisations too: they should be addressed to those involved in scrutiny, not only to the executive. As at the national level, this would create more complementary, more coherent and more effective accountability mechanisms. It could also help to address the under-resourcing of scrutiny which we noted above, by allowing scrutiny committees and similar mechanisms to draw on the expertise of auditors, regulators and inspectors.

4.62 **We recommend that auditors, inspectors and regulators who report on individual organisations must do so directly to the appropriate scrutiny or audit committee. Where appropriate, they should assist the committee in its consideration and**

holding the executive to account.

Governance and Accountability

4.63 We recognised in previous chapters that partnerships between organisations will always be necessary to plan and deliver effectively for the population of an area. The evidence we received noted the importance of both good governance arrangements to make such partnerships work and good scrutiny. As we set out above however it appeared that these were not always in place.

4.64 However, good governance in partnerships can only be developed and sustained on the bedrock of strong and clear governance in individual organisations. The examples of failures of governance we cited earlier, and other issues relating to poor governance, do not have a single point of failure: it is not possible to say simply that the governance structure is wrong, or that the scale of the organisation is too small or too large or that processes and procedures do not exist. It is also true to say that failures of governance of this nature are not limited to Wales or the public sector. But failures such as these have been too frequent to be written off as exceptional or one-off events caused by specific and non-recurrent local or organisational weaknesses. They strongly imply that the basic standards and principles of good governance are not being applied and monitored consistently and effectively enough and that checks and balances in the system are not always operating effectively.

4.65 **We recommend that individuals in governance roles in every organisation must recognise their responsibility for ensuring that the standards of good governance are upheld. Every organisation must evaluate itself each year against established standards and best practice of good governance. This must be validated by their respective regulators.**

4.66 This same approach must be applied to both local and national partnerships. Local Service Boards (LSBs) have been established as the single high-level strategic partnership for each area. We support that in principle, although we consider they can and should do more to reduce complexity and improve governance. The LSB should be responsible for agreeing, as it is now, a single high-level plan to identify and meet the needs of the population. They must not become either an additional tier of bureaucracy, or an unaccountable decision maker. **The Welsh Government, in consultation with LSB members, must reform LSBs so that:**

- **They have clear, ambitious and realistic purpose and vision;**
- **By 2015 there is a national single, robust, governance model in place which is equitable and transparent and which ensures that decisions are based on**

identifiable responsibilities and actions, joint rights and obligations, creating clear accountability for delivery;

- **They are empowered to take significant and meaningful decisions which will contribute to attaining their purpose and vision; and**
- **They comprise senior representatives from each organisation who have relevant authority and influence.**

4.67 Considering the importance of the role that the LSB has in analysing need and determining a plan of multi-agency delivery it is imperative that the thinking behind the plans is open to constructive challenge. **We therefore recommend that LSBs must be subject to effective scrutiny by a specific scrutiny programme which must consider whether the analysis of needs has been robust; whether the plan will effectively tackle those needs, is adequately resourced; and whether it is being effectively implemented.**

4.68 In rationalising the partnership landscape by applying the principles we set out in Chapter 2, LSBs should also ensure that other local partnerships have a clear sense of purpose and aims, membership which is appropriate to the partnership, governance is defined and robust, decisions can be made, and accountability and scrutiny is clear. Partnerships which do not meet these criteria must be urgently reformed or abolished. We recognise the continued importance of partnership working across the Wales – England border for many services both devolved and non devolved, particularly in the areas of health, transport and economic development such as the Dee Alliance, and working between Cardiff and Bristol Councils. The same criteria and approach must be applied to these.

National partnerships

4.69 There are currently political and executive forums that provide national-level governance of programmes and relationships.[111] Some, such as the Partnership Council for Wales and the Voluntary Sector Partnership, are statutory. They bring together organisations that have different accountabilities, including their own electoral mandates, and different models of governance.

4.70 We heard varying views on the effectiveness and use of the current arrangements. Some appeared to think that the Public Service Leadership Group (PSLG) was "working well and adding value" and "mechanisms such as Partnership Council for Wales and PSLG are on the right track in terms of facilitating understanding and national

[111] For example, political membership groups include the Partnership Council for Wale s, the Social Services Partnership, executive groups include Public Service Leadership Group, Social Services Leadership Group, Joint emergency Services Group.

projects". For the majority, however, PSLG was not seen as being effective, it was seen to be acting simply as a programme board, and was not considering issues requiring strategic leadership or providing a forum to drive public service improvement through collaboration and peer challenge. For example we heard from the Chief Executive of Denbighshire County Council that PSLG functioned as a project management group rather than as a space for strategic discussions.

4.71 There were more general comments about the need to rebuild or develop relationships between local government and the Welsh Government, the need to agree what strategic priorities should be or the need to have mechanisms to agree and authorise wider public sector projects or cross service working. There were some national projects that had been brought to fruition through the Public Service Leadership Group (PSLG) and Partnership Council for Wales (PCfW) such as the National Procurement Service, the agreement to the Compact for delivering the recommendations of the 2011 Simpson Review, significant changes to social services working and a steady recognition of ways to improve services for vulnerable groups. However, and as we explained in Chapter 2, these had been long in development and agreement and had required separate ratification through individual organisations. We heard from respondents that there were missed opportunities to improve services for citizens and respond to current and emerging financial and demand pressures because cross service leadership and agreement had been slow.

4.72 However, it seemed that there was an acceptance that such forums were necessary to secure the benefits of operating in a small country and to serve citizens better through joint working, but that, clarity of governance and accountability for such forums is at least as important as for any other partnership.

4.73 Our overall programme of reform will require the wholehearted commitment and oversight of many organisations and leaders. The simplest and most straightforward way of securing this is through these existing forums. A key element of that effort must be directed to ensuring that performance and delivery to the citizen is not allowed to fall.

- **We recommend that the Partnership Council for Wales (PCfW) and the Public Service Leadership Group (PSLG) must be reviewed and reformed to reflect the new model of public services that the Welsh Government determines following our report. This should be in place within 6 months of the Government's response to this report; and**
- **The PCfW and PSLG, with the Welsh Government, must own and support the programme of change required to meet our recommendations.**

4.74 There were views expressed to us, often forcefully, that there needed to be a new relationship between the Welsh Government and local government and other public service organisations which respected what was local and what was national and allowed a continuing and mature debate on priorities and how best to achieve them for the people of Wales. These national forums must also act to develop and maintain that relationship. They must:

- Continue to embody and promote public service values;
- Provide a space to ensure clarity of role and purpose between sectors including understanding the local and sectoral contributions to achieving the over-arching national priorities for Wales as set out in our chapter on performance;
- Consider and take forward cross service opportunities to improve services and shift effort to more preventative expenditure including mandation by their peers; and
- Resolve significant matters of conflict or of disproportionate cost or risk arising to one sector from cross public service working.

Accountability

4.75 We have not approached our work sector by sector but by theme. However, there were sector specific points made to us that we considered merited specific treatment. The first is in relation to political accountability in local government. Political leadership in local authorities must of course be routinely and democratically accountable, whether to the whole council, scrutiny committees or the wider electorate. That demands a clear understanding of the commitments and priorities of each administration, so that those holding it to account can reflect on and challenge the progress they have made. In many cases, this is a natural product of the electoral process. Councillors who are elected on the basis of a party manifesto, and who subsequently form the executive, are naturally accountable for delivering that manifesto. This is supported in all local authorities by statutory requirements[112] to formulate and publish annual improvement priorities, and to report on progress in delivering them.

4.76 In some parts of Wales, though and at some times, this process is less clear. One member of the public at our meeting in Haverfordwest, for example, observed that there was no ruling party, no discipline on members and no ideology or manifesto to shape and define the Council's priorities and commitments. This was put to us with particular reference to areas with a long history of electing independents and local authorities which are dominated by independent members. It is true that independent members typically have no manifesto or equivalent; they are often elected on the basis of their local standing or reputation alone. There are also regular

[112] In Part 1 of the Local Government (Wales) Measure 2009

examples of members, in response to local or national issues, moving between parties or to or from an independent status. Political parties themselves can split into different groups or factions. When any of these things happen individuals' and parties' commitments become less clear, and accountability becomes clouded. This lack of specific commitments means it can be hard to hold leaders and executives to account once in office.

4.77 While this may be broader than local government, one council has taken steps to address this problem. The Isle of Anglesey County Council has long included a significant proportion of independent members, and the lack of accountability which that created was among the reasons for the Welsh Government intervening in the council from 2009-2013. To address that, the Council amended its constitution in 2012 to require that all candidates for Leader must publish a written manifesto and present it orally to the Council before the election of Leader takes place;[113] s/he must also present an annual statement of progress in delivering that manifesto. This sets out clearly what each Leader and candidate for that office stands for and allows for greater accountability. **We recommend that where, for whatever reason, it is not clear what a candidate for Leader stands for, he or she must publish a written manifesto and present it orally to the Council before the election of Leader takes place and subsequently present an annual statement of progress in delivering that manifesto.**

Governance, scrutiny and accountability in the NHS

4.78 The second instance where we felt that issues had been raised which merited separate treatment here was in respect of health services. The Health Service is the largest part of the public sector in Wales. Our public meetings in particular generated very many comments on how local health boards operate, and in particular how accountable and responsive they were. Many of those were critical, and we are bound to give them proper and separate consideration in our report.

4.79 The role of local health boards can be simply defined in terms of their responsibility to:

- Set the strategic vision and overall direction;
- Provide strong governance (corporate, financial and clinical) and support a positive and open culture; and
- Hold the executive to account for delivering safe, high quality and efficient services.

4.80 Concerns were also expressed that some of the local health boards may be too large, although we acknowledge that this was outside our remit. We recognised too that

[113] Constitution of the Isle of Anglesey County Council, para. 2.7.3.2.1

there may well be mitigating factors, including their relative newness and the difficult issues they are tackling within the most challenging financial period the NHS has had to address in decades. Evidence from NHS Chief Executives suggested that the size of the local health boards has helped with resilience and that smaller organisations might have fared worse in such circumstances. Some of the criticism may reflect the same factors of complexity that other public sector organisations drew to our attention - for instance, the need to engage with five or six local authority partners. As we noted in our chapter on complexity, the demands of such partnerships are a significant call on non-executive and executive time particularly if there are different expectations from each party. We address this elsewhere particularly in regard to the future role, priorities, constitution and accountability of local service boards and their single integrated plans. The changes we recommend elsewhere in our report to local government structures, and cross service partnership structures will help but are not sufficient to address these concerns on engagement, performance and accountability.

4.81 Much of our evidence alleged that the new local health boards were too remote, difficult to engage and to hold to account. Boards and trusts meet in public, hold public meetings and publish annual reports. They need to build on these opportunities to improve their accessibility. The extent of these comments, particularly in respect of service reconfiguration, suggested that there was a particular need for **health boards and trusts, as part of their review of their governance (which we recommend for all organisations), to develop their public engagement and communications strategies in particular.** As with any service, people become used to existing arrangements and can be suspicious of change. Boards and trusts need to better explain why there is a need for continuous change in delivery to keep pace with the impact of new technologies and new treatments and deliver better outcomes and patient safety. The review into Community Health Councils (CHCs) also recommended that the health boards and trusts and CHCs needed to clarify their respective roles and actions in public engagement.

4.82 As others noted in their oral evidence to us, it is important that local health boards **fully discharge their responsibility for the health and wellbeing of their whole population and not just hospitals**. There may be good reasons why most of the recent publicity about the NHS in Wales seems to focus on hospital performance and reconfiguration plans, but it is equally important that local health boards effectively and strategically address the long term determinants of health, disease patterns and demand management. They must be planning and delivering integrated care pathways. They cannot and must not operate either in specialty or acute versus primary care silos, nor apart from the rest of the public services of Wales. They must not only be committed to partnership working but be at the forefront of joint working. Nowhere is this more important than providing care for frail elderly people.

4.83 We have seen some good examples of joint working but this is not as well developed as it needs to be to meet the needs of citizens and their families. In the course of our evidence taking, we received some proposals that that local health boards should only manage hospitals and community services; and that responsibility for primary care and public health should be transferred to local government. As we said in Chapter 2, we were not persuaded by arguments to move functions generally. We considered that proposals to transfer community, primary and public health care could, amongst other things, lead to a health service even more dominated by acute care rather than a whole system approach. However, **health boards must be far more proactive in delivering across their wider sphere of responsibilities and joint working. The evidence is this will not only lead to a more cost effective model of delivery but ensure their populations receive a more sustainable model of care.**

4.84 Health boards need to be better informed about future trends and present performance. To do this they must have access to accurate, comparable, timely and understandable data to be assured they are providing safe, high quality and efficient patient care and planning for future demands. The use of data will help to drive up performance. As we note later in our chapter on performance, the research review we commissioned from the Public Policy Institute (undertaken by Cardiff University) confirmed that that performance management works to improve services. The independent and non-executive members of boards and trusts need to be assured their performance management systems are delivering continuous improvement. Clinical engagement is key and more can be done by boards and trusts to harness the powerful methodologies of the 1000 Lives Programme to reduce harm, variation and waste.

4.85 As we set out elsewhere in this chapter, scrutiny is an essential lever to drive improvement in performance and delivery. The introduction of the Designated Persons Order would strengthen the scrutiny of health boards' delivery particularly in the area of working with others. There is an opportunity here for health boards (and particularly the non executive or 'independent' members) to actively engage with this process as it develops to ensure that it supports continuous improvement in their services. Regarding this as simply an additional task would be to miss the opportunity it offers. **We recommend therefore that local health boards prepare for the introduction of the Designated Persons Order by:**

- **Considering if their own internal scrutiny arrangements are sufficiently robust;**
- **Identifying whether the independent members and non-executive directors are sufficiently well informed and trained to hold the executive team to account and**

if not, ensuring that they receive equivalent training to that we recommend elsewhere for those involved in scrutiny processes;[114] and

- **Ensuring that the independent members of the LHB engage with the scrutiny chairs in each relevant local authority to support the planning of local government scrutiny.**

4.86 Before we started our work, a motion passed in the Assembly asked us to consider issues of democratic accountability for the health service in the round drawing out specifically the issue of whether the independent members of health boards should be elected.[115] The Public Services Ombudsman also raised in his oral evidence to us and subsequently more publicly whether there was sufficient democratic accountability or internal challenge within the local health boards.

4.87 Advocates of direct election argue that this would improve accountability and hence performance of health services. For instance, in the Assembly debate one member argued that there was a
democratic deficit… in the Welsh NHS. It is important that we get to grips with this issue and restore some public confidence in decision-making in our national health service….The way in which consultations have been handled in north and west Wales, and the way that the outcomes of those consultations have been disregarded by decision-makers in local health boards, with no-one to whom to appeal about it…has been very disappointing. We have to get on top of that somehow.[116]

4.88 However, the arguments for directly electing health boards are not conclusive, and certainly not without difficulties. It was not clear what aspects of local health board accountability were to be strengthened in this way. As WIHSC put it to us:
is the issue a need for improved local scrutiny of decisions, information and transparency? If so this might lead to directions to improve the communications culture of the Health Board….Is the need for locally accountable decision making? This leads to the consideration of locally elected members.

4.89 The arguments in favour of direct election are clear. It would enable the NHS to become more citizen-centred – a need which was identified by individuals and organisations in the health sector.[117] Service-users and the public would have greater representation via the elected members on the board and therefore a stronger voice in how services are being run, how that might change and in decisions being made. The organisation itself would become more open to challenge: identifiable individuals

[114] As recommended by the Public Accounts Committee of the National Assembly for Wales report following the WAO/ HIW report into "Governance arrangements at Betis Cadwaladr UHB"
[115] National Assembly for Wales Record of Proceedings, 1 May 2013
[116] Darren Millar AM, Debate, National Assembly for Wales May 2013 *ibid.*
[117] Welsh NHS Confederation; Royal College of Surgeons

could be held to account and scrutinised both through scrutiny and ultimately through election.

4.90 However, we have concerns that direct elections for all independent members of health boards could be inconsistent with the purposes and values of the NHS as it was conceived and as it stands. These are as follows:

- Firstly, candidates may campaign on, or be elected on mandates which reflected local priorities and service issues. That could make much it harder for the board to focus on its strategic planning functions and responsibilities. It is important that health boards exercise their responsibilities for their entire population: that is, the full spectrum of health, wellbeing and whole systems solutions. Directly elected members might find themselves under pressure from local interest groups for specific services;
- Second, the local mandates could press for change or variation in the availability of, or charging for, particular procedures or treatments in different health board areas. This would be at odds with the principle of the NHS providing universal care and could exacerbate the 'postcode lottery' in care. All-Wales or UK legislation and policy could still preclude such changes being made; but that would inhibit the scope and thus the value of local campaigning, and introduce needless friction and conflict into the system; and
- Third, direct elections would create a separation between elected mandate and responsibility for funding. Unlike local government, (unitary authorities and town and community councils) and the Police and Crime Commissioners, the NHS is centrally funded and its services are delivered free at the point of need. Elected LHB members would thus have freedom to deliver or seek to deliver on their mandates but there could be no direct financial consequences for their electorate against which they would be held accountable. The financial consequences and the accountability to an electorate for them is at the level of Welsh Government. The Silk Commission (part one) argued, and the UK Government has accepted, that that this arrangement should be changed for Welsh Government on the grounds of greater financial accountability; and there is no reason not to apply the same principle to the NHS.

4.91 Taken together, such changes could actually complicate rather than simplify accountability within the NHS if the whole board was elected. In particular, they would confuse accountability for local matters (to elected health boards) and national ones (to the Welsh Government and the National Assembly for Wales) by blurring the distinction between the two. For as long as there is a wish to maintain a *National* Health Service in Wales, rather than a set of local health services, we do not see that electing local health boards would be an obvious improvement. Furthermore, elsewhere in our report we have stressed the urgent need for better integration of

health and adult social services. Introducing potentially competing local electoral mandates could well further complicate joint working in this critical area.

4.92 We also considered some recent experiences in Scotland, New Zealand and Canada. The Scottish Government had undertaken a formal evaluation of its limited piloting of the election of health board members in 2009.[118] The legislative intent had been to "increase local accountability and to address a perceived democratic deficit in wholly appointed Health Boards". In Scotland, three approaches had been taken, two NHS boards, NHS Dumfries and Galloway and NHS Fife held elections for 10 and 12 members respectively. Two other boards, Grampian and Lothian explored alternative ways of recruiting and selecting 2 new appointed members each. The evaluation of the Scottish pilots concluded that it is possible to successfully hold direct elections to NHS health boards. There were significant numbers of candidates, turnout was low and in general those who stood showed similar characteristics to those appointed under the existing system. Election however achieved approximate gender balance. A number of candidates stood on electoral platforms that were driven by contentious local issues. This subsequently affected the way in which Board business was transacted with more votes and more public exposure of dissent. The impact of the alternative approaches was found to be more subtle, probably as a result of the relatively few new members being introduced. It concluded that "the decision on which system to adopt is of necessity a political and parliamentary one rather than a technical one".

4.93 In undertaking the evaluation of these approaches, the Scottish Government had also commissioned a literature review of other international experience.[119] The literature review examined experiences from other countries who have introduced direct elections to health bodies, including some Canadian Regional Health Authorities (RHAs), New Zealand District Health Boards (DHBs), and Foundation Trusts in England. It also explored evidence around alternative approaches to elections. It concluded that "neither elected nor advisory bodies can resolve all of the challenges of patient and public involvement; problems of low or intermittent engagement, questions about representativeness, and the cost-effectiveness of any given strategy are common and do not seem to have any one solution".

4.94 Proposals for direct elections to health boards would support have rightly drawn attention to the need for open and democratic scrutiny of board decisions and proposals coupled with greater attention to the citizen voice. We support those aims;

[118] Greer, S. *et al. Health Board elections and alternative pilots: final report of the statutory evaluation*, LSE Enterprise and the University of St Andrews
[119] Stewart, E. *et al* 2012 *Health Board Elections and Alternative Pilots: Literature Review*. Scottish Government

but the evidence we received did not allow us to conclude that this would be achieved by electing all the independent members of boards which would be directly and corporately responsible for making such decisions.

4.95 As we have argued elsewhere in this report, effective scrutiny demands a clear separation between those who make decisions and those who scrutinise and hold them to account. We therefore considered what changes to the current system of board membership might respond to the concerns about accountability, together with other changes we recommend in our report. The independent members of a local health board are Ministerial public appointments and made in accordance with the Code of Practice for Ministerial Appointments to Public Bodies issued by the Commissioner for Public Appointments. Members are selected through an open competition process which involves consideration of applications by a selection panel chaired by a Welsh Government official. Through this process, Welsh Ministers appoint the chair, a vice chair, and up to nine independent members which include:

- An elected local authority member;
- A community representative;
- A current member or employee of a 3rd sector organisation;
- A university postholder in a field related to health; and
- Other members with expertise in the fields of finance, legal, estate and ICT;

There can be 3 further associate members appointed; often the chair of the stakeholder reference group, the chair of the professionals forum, and a director of social services. The Board can also seek to appoint a further associate member.

4.96 These arrangements have a number of weaknesses. They tend to create boards which are large, which may constrain both decision making and challenge. In focussing on securing specific professional skills and knowledge such as ICT, legal, and estates management, the independent board membership may not sufficiently reflect the need for strong internal challenge, local accountability and understanding including a strong relationship with local government and the strategic whole-population responsibilities of a health board.

4.97 As we have stressed elsewhere in this report, closer ties between local government and the NHS are and will continue to be vital and we consider that this should be more strongly reflected in health board membership. The evidence we heard and from recent reports on Betsi Cadwaladr, or Hywel Dda suggest that there is also a need for stronger local accountability and knowledge. Effectively this could be achieved by including the Cabinet Members accountable for social care for each local authority as independent members on the relevant health board. There should also be a Director of Social Services from the local authorities within the health board area as the

relevant statutory officer. These places should not be at the expense of members who bring workforce and stakeholder representation to the board.

4.98 **We recommend that the Welsh Government should by December 2014, review the current number, representation and appointment process of independent members of LHBs so that:**

- **The overall size of each LHB is reduced to improve strategic decision-making and effective scrutiny;**
- **The appropriate Cabinet members from each of the new local authorities within the LHB area are appointed as independent members;**
- **At least one local authority director of social services should also be appointed to support the integration of services with local authorities in the LHB area; and that**
- **It considers whether and how the election of community representation on local health boards would improve transparency, public engagement and accountability in the health service.**

4.99 We cover elsewhere the opportunity for the Designated Persons Order and the extension of the local authority scrutiny function to NHS bodies to provide additional, robust, constructive and democratically accountable scrutiny of the delivery of health and other services to the local population. That is not enough. Scrutiny must also take the form of citizen governance. Health boards may not in the past have been sufficiently transparent with their data to give their users the confidence that services are safe and of high quality. Recent developments to make data more transparent with the publication of RAMI Scores and other data through My Health on Line and annual quality reports are to be welcomed and chime with our other recommendations. This has however taken too long. Citizens, patients, their families and advocacy groups and others have the right to easy access to timely, relevant and understandable data on the performance of their local services and how they compare and are improving over time.

4.100 We also received evidence from the general public that complaints are taking far too long to resolve.[120] This is more appropriately the province of Community Health Councils (CHCs), regulators and the Ombudsman, who also commented about the increase in complaints about health services.[121] However, we consider that health boards and trusts need to give sufficient priority to resolving complaints and should publish on a quarterly basis an analysis of the complaints received and the time taken to resolve them. This information should already be available to health boards and

[120] Public meeting in Gorseinon
[121] http://www.walesonline.co.uk/news/wales-news/scrutiny-nhs-wales-broken-down-6329837

should not involve any extra work but might help in holding boards and trusts to account for the quality of care they provide.

4.101 For many years, CHCs have provided an important element of scrutiny, patient voice and inspection as part of the overall system of governance, accountability and scrutiny of the local health boards and trusts. We are aware that the CHCs have been relatively recently reviewed by Welsh Institute for Health and Social Care (WIHSC) and the Government has consulted on the proposals in that report. That review and the Government's response largely focussed on short term actions to improve the leadership of the CHC Board and the diversity of CHC membership although it recognised that there was a need to think about the long term positioning of CHCs. We draw out in the complexity chapter the issues around the overlap between CHCs, Health Inspectorate Wales, the Ombudsman and the future role of local authorities in scrutinising health and other services. While the reforms we propose elsewhere in this chapter and in Chapter 3 will help to increase capacity in local government, we do not believe most local authorities would currently be able to provide focused and effective scrutiny of the NHS alongside their own functions. Certainly for the time being, CHCs' scrutiny functions should therefore remain as they are, including their role in considering, consulting and commenting on service reconfigurations.

4.102 The extension of local authority scrutiny to the scrutiny of other public organisations with responsibility for services such as local health boards strengthens the need for closer understanding between local government and the CHCs. While we recognise the time constraints on local authority members we would strongly encourage local authorities to continue to take up the positions on CHCs. If Cabinet members are represented as we recommend on local health boards, then, in recognition of the scrutiny function of CHCs, local authority members appointed to CHCs should come from those engaged in scrutiny rather than executive positions.

4.103 As we set out above in respect of scrutiny generally, effective scrutiny and holding to account relies significantly on the capacity and capability of those undertaking this role. We recommend above that the new public service leadership and development centre we propose should secure the development of consistent training opportunities for those engaged in scrutiny. It is incumbent on CHC members to ensure that they seek out and take up such relevant training. Effective scrutiny is also heavily dependent upon the provision of good quality data including benchmarking data. CHCs should ensure that they secure and use data on the performance of their LHB to inform their programme of work in holding Boards and Trusts to account. The CHC Board has a role here in ensuring that CHCs are aware of performance and other issues across Wales.

Information management and digital services

4.104 Information management and digital services consistently emerged as a theme from our evidence taking sessions across the public sector (including from non-devolved services such as the police forces). The main issues raised with us were:

- The inability to access and share data to provide a coherent and joined up response particularly to individuals and their families ,across agencies;
- The availability of services for citizens;
- The availability of, and ability to share, data and information to improve the planning, delivery and efficiency of services; and
- The opportunities to improve efficiency and reduce costs.

These are issues of people, processes and technology.

4.105 As we have noted earlier in this chapter, the provision of high quality timely and robust information is essential to drive improvement in services by supporting effective management, or by informing boards or citizens and those scrutinising our public services. We cover, in Chapter 6, the specific need for clear and robust performance management arrangements and the information to support those. But, as we know in our own lives, information management and the technology that underpins it, is fundamental to the way in which our lives are now lived. We have experienced a digital revolution in our private lives and most people now expect real time information, instant messaging, rapid communication, feedback and sharing of knowledge and experience on-line. We increasingly expect to be able to carry out our interactions with private and public services on-line and at times that suit us.

4.106 We heard in responses to our call for evidence, and in our meetings around Wales, that the use of information and technology in our public services was not good enough to meet either the expectations of the public or the needs of organisations to plan and deliver the services they rely on or to take the opportunities to reduce costs and increase inefficiencies. As we note in Chapter 6, data-sharing between organisations is particularly problematic. We heard of instances where personal data was still being shared between agencies by fax because of the apparent lack of joined up information systems. In one instance, we were told that local authorities and the associated local health board were independently developing separate systems for handling data about key groups where integrated services were essential. This investment, rather than improving the ability of staff in these organisations to work together to deliver for their shared client groups, would thus continue the existing dysfunctional ways of working. The regularity with which “failure to share information” is cited as a factor in serious case reviews and similar is well known. At a more everyday level, the opportunity for users to communicate with public service organisations to give or seek information either in relation to specific needs or to

engage with what their services were planning or doing more generally varied considerably. Some town and community councils, for example, do not have on-line information or email access.

4.107 Services for citizens and businesses can be improved and costs controlled through effective use of information technology. The costs of processing services, especially where these require payment, on- line or through telephone systems is many times less than face to face or paper based approaches. The Cabinet Office Digital Efficiency Report Research suggests that online transactions are 20 times cheaper than by phone, 30 times cheaper than by post and as much as 50 times cheaper than face to face. There are many examples where these systems have been introduced such as paying council tax on line or through automated telephone systems yet there are other opportunities which appear to have not been exploited, or, where they have been developed, this has been done inconsistently or independently by separate organisations. Whilst we fully support the use of ICT and the internet to improve delivery and offer more effective service delivery, we also endorse the view put to us [122] that the development of digital and on line services must not be allowed to exclude the most vulnerable in society; alternative and supported access must still be offered.

4.108 Looking at the picture for Wales' public services as a whole, some key foundations and strategies have been developed. The development of the Wales Accord for Sharing Personal Information (WASPI) has focussed on the processes as well as the cultural and behavioural aspects of information sharing and the Public Service Leadership Group has been working to give further leadership to this. The Welsh Government has previously published the Digital Wales Strategy and delivery plan which identified the need for a coherent Wales-wide approach to investment in ICT. The Digital ICT Strategy for the Public Services in Wales has identified the need to improve the sharing of information between public services. Local health boards are required to have formal ICT plans and the Welsh Government's Invest to Save fund has been used significantly to support the development of ICT solutions and, increasingly to support organisations working together on such plans. We also heard of some good individual examples of innovative and effective uses of information and technology:

- The emergency services have been developing 'direct electronic incident transfer' systems to support multi service responses to incidents;
- Monmouthshire Council uses social media to a significant extent to engage with the population in the area; their use includes both transactional exchanges ("please fix this", "when is this happening") and communication intended to engage wider groups either in practical engagement (pathcare walks thanks to MonCountryvolunteers) or in strategic issues such as the budget;

[122] Chwarae Teg and Diverse Cymru written evidence

- Cardiff and Vale LHB have facilitated mobile working for community based staff across Cardiff & Vale University Health Board in order to improve the safety, effectiveness and efficiency of community services; and
- The development of Public Sector Broad band Aggregation (PSBA) has shown how collaboration across the public sector can deliver real benefit. This managed network connects nearly all areas of the public sector in Wales to a private network. Through this the fire and rescue services across Wales, for example, implemented a rationalised command and control systems and reduced costs by a factor of 5; GPs have moved servers containing patient clinical information to secure data centres accessed over PSBA. An independent consultancy review and a review of pricing on similar contracts elsewhere in government showed that PSBA prices are typically at least a third below comparable alternatives.

4.109 However, we considered that the evidence did not suggest that existing strategies and plans had improved services for users , supported organisations to deliver or reduced their overheads and operating costs sufficiently or quickly enough to meet Wales' needs. ICT projects are still often conceived and delivered within individual organisations without considering whether shared, regional or national approaches would bring greater benefits for organisations and for the people they serve. The Wales Audit Office in its December 2012 report into *Use of Technology to support improvements and efficiency in Local Government* noted progress in the development of local authorities' own policies, procedures and standards. That report also noted that "national procedures and standards are required to provide greater clarity, accountability and responsibility and a programme for action at national level". It noted that "the lack of a well-established delivery plan…. contributes to the lack of clarity at a local level… This uncertainty hinders local decision-making and delivery of the ICT Strategy for the Public Sector in Wales".

4.110 A modern and efficient public sector cannot operate without effective and functional digital and ICT services. We consider that securing the benefits for Wales of integrated, effective information management can only be done through a coherent strategy and programme which prioritises, plans and delivers improvements in digital and information services across the public sector in Wales to deliver better outcomes for the citizen. This is not simply a matter of technology and compatible ICT systems. Data quality, standards, protection and sharing are all key issues that must also be resolved. Implementing such a strategy cannot be undertaken by any single organisation or sector, particularly in times of financial pressure, and will require strong cross sector leadership. The programme should prioritise, at the outset, the changes that are necessary for the delivery of integrated services to the citizen in high priority services. This is complex work with significant risks as well as opportunities.

Independent experts must be used to give assurance on the scope, efficacy, pace, implementation and affordability of the Plan.

4.111 **We recommend that the Welsh Government leads the development of a coherent, cross-public sector national strategy and programme to plan, prioritise, and deliver joined up, digitally transformed services which deliver better outcomes and more efficient services for citizens across the public sector in Wales. This work should begin immediately and:**

- **Should prioritise, at the outset, the changes that are necessary for the delivery of integrated services to the citizen in high priority services;**
- **It should include the development, with relevant partners, of common standards policies, procedures and, where appropriate, working practices across public sector organisations so that information and associated technology can support the delivery of efficient and effective public service; and**
- **Should be seen as an integral part of the overall programme of change recommended in our report and should therefore be overseen by the PCfW and associated national implementation and transition board.**

Reshaping public services

4.112 The demand and financial pressures on public services worldwide, and the changing nature of public expectations of them, are being met around the world in a variety of ways. In *Weathering the Storm* these approaches were categorized as "re-trench, re-structure, reform and rethink[123]; elsewhere they have been expressed as:

- Reducing expenditure incrementally on services : 'salami slice'
- Conventional efficiencies;
- Reorganise and reconfigure: change structures, or concentrate specialisms;
- Ration: redefine the offer, target, withdraw from some activities, share risk; and
- Radical re-design.

4.113 These approaches have their place. However, overall, the evidence we heard about the scale of challenges public services face convinces us that these challenges cannot be met simply by "a more efficient salami slicing machine". Conventional efficiencies, structural change and concentration of specialisms have a clear contribution to make and form part of our recommendations in this report but evidence suggests that these too are not enough. The view across think-tanks and experts from across the UK and beyond is that there is a need for a fundamental re-shaping of the way we think about and deliver services so that from the public sector organisations' perspective existing demand is better managed and future demand more effectively reduced or even

[123] Wallace, J. *et al.* 2013. *Weathering the Storm.* Carnegie Trust UK and Wales 2025

prevented. From the citizen's perspective this should not simply manifest in reduced services but in services which are redesigned to meet their real needs.

4.114 Work by Nesta, RSA and Wales 2025 and many others have described a range of approaches to redesign services to get them right first time, reduce waste and create new capacity. Those approaches identify the need to identify "real demand" arising from people's needs and circumstances rather than one-size-fits-all offers - starting with what people receiving services would find most helpful and what delivers the overall, outcomes sought. This means redesigning services based on better community or service user insight. It would also encompass co-producing service design, commissioning and delivery and a strong emphasis on shifting the emphasis to prevention and making the most of community capacity and assets.

4.115 These are all to varying degrees underpinned by the principle of establishing a different relationship between public sector organisations and the citizens they serve. We covered above the evidence we had received on the current state of public engagement in Wales across the public sector.

4.116 *Public Services need to better manage demand...particularly by involving service users and communities more…shifting expensive remedial services to services that prevent problems before they become serious.* (Wales Public Services 2025, 2013)

To set out one example of the current and ongoing developments in these areas, in 'Beyond Nudge to Demand Management'[124] demand is categorized into:

- Excess demand – providing more than citizens need or wish perhaps because services are designed on a one size fits all basis;
- Avoidable demand – demand that could be reduced if behaviours were changed or relationships between organisation or organisations and citizens were changed;
- Failure demand – demand which arises from failure in delivery creating a new need;
- Preventable demand: demand which could be reduced through early intervention; and
- Co-dependant demand – that which is unintentionally reinforced by creating a dependency instead of supporting resilience in individuals or communities.

Categorizing demand in these ways may suggest a set of responses by public sector organisations to:

- Develop better understanding of customer insight - to understand the needs, assets and resources of citizens;

[124] RSA July, 2013 *Beyond Nudge to demand management*.

- Focus on protecting existing and developing further early interventions including working across sectors to reduce long term demand and build community capacity. Early intervention needs to be a key policy driver across all services;
- Recognise and tackle demand driven through service failure;
- Act to encourage behaviour change in individuals and communities through new forms of leadership and engaging and working differently with citizens. This is where there may be most to learn from the third sector, from academic institutions or organisations such as Nesta and other innovation centres. Without a shift in behaviour there will continue to be demand that is in excess of the current and projected financial resources;
- Re-focus professional skills onto areas where they are most needed by recognising service users; families; neighbours and the wider community as an asset, and releasing their available skills and capacity. Commissioned services and support can work alongside one another as opposed to operating in relative isolation; and
- Recognise and build on the strengths that exist in citizens and communities so that services move from meeting needs to building on people's assets and supporting their future livelihoods.

4.117 These were not novel points made simply by academics or think tanks. Many of those who responded to our call for evidence recognised and made these points to us themselves:

With diminishing funding, communities throughout Wales will have to significantly revise their expectations of what services their local council can realistically be expected to deliver. Councils that look to prioritise services in conversation with their communities, transfer assets and deliver services radically differently will show that localist responses are the best solution to the longer term challenges facing the public sector in Wales. (Aaron Shotton WLGA Spokesperson finance, press statement w/c 9 December 2013)

We need to reposition the balance of public spend from addressing the symptoms of societal problems to a point where public money is directed to positive outcomes and to prevention of future issues. (Chartered Institute of Public Finance and Accountancy)

Greater investment is needed in preventative solutions, with individual and citizen responsibility… as part of the outcomes. (Flintshire County Council)

4.118 Co-production as one response to the challenges of the future was cited by many. The WCVA for example stressed the need to continue to move towards co-production with an emphasis on early-intervention where professionals, individuals and communities are utilised to design and deliver a service. Co-production was further supported by

Chwarae Teg who saw co-production as a way of bringing service providers and service users together in an equal partnership to "plan and deliver services that understand customer needs" and meet these needs. From our public engagement events we heard there were "pockets of interest in co-production but these were not systemic so there are lots of barriers but that things are improving forced by funding difficulties"[125], and that citizen-centred services delivered through coproduction can be efficient and effective.[126]

4.119 Citizen led models, where service users and communities are at the heart of public service design and delivery were considered by others, although concern was raised that the level of engagement with individuals, society and communities would need to greatly increase.[127] While this seems a valid concern, the Electoral Reform Society noted that although citizen engagement with the formal political process is low, the level of volunteering in Wales remains high, suggesting there is a "social capital that can be tapped into."[128]

4.120 We heard of good specific examples of these new ways of designing and delivering services being applied within Wales and wider. These included, but were no means confined to :

- Good examples of co-production including those where there had been community asset transfer[129] and where services were designed and delivered through a reciprocal relationship between professionals, people using services, their families and their neighbourhood. These showed a commitment by communities, local government and other organisations to preserve community services through alternative delivery models. Communities First was one programme where co-production and a strengths-based approach had been built in from the outset;
- Team around the family approaches that are starting to suggest major breakthroughs, for example the ESF LSB "Connecting Families" project in Bridgend which, in its first 19 months, has worked with 73 families, including 187 children, and delivered estimated savings of up to £1.5 million and improved outcomes for families including 54 children prevented from becoming Looked After Children with in house foster carers and 30 children deregistered from the Child Protection Register.
- Locality working, for example in Cardiff so that outcomes were improved for residents by ensuring a whole place approach to their needs;

[125] Public meeting, HaverfordWest
[126] Public meeting, Wrexham
[127] Care Council for Wales
[128] Electoral Reform Society
[129] Examples include Harlech Swimming Pool and Housing Associations established as a result of housing stock transfer.

- Community budgeting, such as in Bridgend, to reduce cost shunting and un-coordinated responses;
- Community asset and service responsibility transfer such as the establishment of a volunteer run social enterprise to run the Beaumaris Leisure Centre formerly run by Anglesey County Council;
- Using community strengths such as the business improvement district model in Swansea and Merthyr Tydfil to secure private sector investment and drive in improving the commercial centres of these towns. It demonstrates an important point that the private sector as well as not for profit organisations play a key role in assuring community resilience and service provision.

Business Improvement District Case Study

A "Business Improvement District" is usually a private sector led initiative that leads to a partnership between a local authority and the local business community to develop projects and services that will benefit the trading environment within the boundary of a clearly defined geographical area. A BID must be agreed by ballot and is funded in whole by a levy on business rate payers within the boundary additional to the non-domestic rates, as agreed by the businesses within the district. There are some key features about this model which have wider resonance.

There is a process of ballot (which has some safeguards to ensure the dominance of a few larger companies could not drive through a proposal over the heads of more numerous but small organisations), the existence of the BID, if agreed, has a time limit, usually 5 years, after which a further ballot would be required.

If passed the BID establishes a levy on non domestic rate payers in the defined area and establishes a governance structure – in most cases a not for profit company. In Swansea this is controlled by a board of directors drawn from stakeholders in the city centre who were nominated by its members and give their experience and time for free. These directors are local independent business owners, national businesses and councillors representing the local authority. This body then agrees priorities and ensures delivery including working with the local authority and other partners.

Examples of this in Swansea include generating additional funding from voluntary donations, and grant funding and match funding in kind for example in the provision of police officers within the centre. Swansea BID's annual levy revenue is circa £0.5m. There are no requirements for openness, transparency or the accountability requirements that apply to public bodies however the annual report must provide added value in order to be successful at the ballot and the business plan is set by the membership.

4.121 By directly engaging and mobilising communities and service users a number of benefits can be secured:

- Services targeted to individuals/families/businesses' needs;
- More effective management of demand; and
- Improved allocation of resources.

4.122 With the reduction in budgets, there can no longer be an expectation that public services can continue to provide services to everyone; it will involve local authorities embracing co-production, community asset transfer and other social delivery models but this only forms part of the solution. The public sector needs to make significant steps in managing the future demand for services.

No society has the money to buy, at market prices, what it takes to raise children, make a neighborhood safe, care for the elderly, make democracy work or address systemic injustices. The only way the world is going to address social problems is by enlisting the very people who are now classified as 'clients' and 'consumers' and converting them into coworkers, partners and rebuilders of the core economy.

Edgar Cahn, Founder of Timebanking

4.123 It seems that with a greater need to engage communities there also comes a greater need to show reciprocity. We heard of some good examples of where time banking was being used within communities in exchange for time delivering services. Whilst we did not hear enough evidence to recommend any one particular form of delivery over another, it is just another approach that we would expect public services to consider when looking at transforming service delivery.

4.124 Co-operatives and mutuals are significant contributors to the Welsh economy, generating £1.54 billion revenue. They are bucking the trend demonstrating that since 2008 the cop-operative economy has increased by 23%, despite the recession. A number of Welsh co-operatives are in the top 100 UK cop-operatives listing in sectors including (but not limited to) housing; food distribution and supply and agriculture. The Welsh Commission on Co-operatives and Mutuals was, at the time of writing our report, considering the use of co-operatives, social enterprises and mutuals as a route to both meeting needs and reducing direct costs.

4.125 None of this will be easy or uncontentious. However, being confronted with a discussion about delivering services alternatively or not having the service at all can bring a stark reality and a possible tipping point for engaging and working with communities in service design; delivery and evaluation. All those involved in governance, scrutiny and delivery of our public services need to develop their understanding of and skills to take forward these new ways of doing business. Our

recommendations on leadership, culture and values in the next chapter will reflect this.

Reshaping public service: conclusion

4.126 We concluded that there was strong evidence that a widespread and radical shift in the design of public services in Wales is needed. We were told of many good examples of how these new approaches have been used but these examples were limited to relatively few service areas and did not appear to be widespread. The adoption of locally derived initiatives has been piecemeal, sometimes driven by the availability of grant funding. New ways of considering, designing and delivering services did not appear to be embedded and not all organisations appeared to have developed a culture of innovation. There were nevertheless signs of an appetite for change and for a more systematic approach to doing so such as through the work on 'effective services for vulnerable groups.' It was not clear whether there was consistently sufficient cross sector working so that demand was prevented or to respond effectively to real demand. There is insufficient evidence yet of what forms of service re-design secure the best outcomes i.e. evidence of 'what works' to improve services and contain cost.

4.127 Our other recommendations in this report, if implemented, should provide the building blocks for a new approach to delivery. They are intended to help create the capacity for change by reducing complexity and strengthening the capacity of local authorities. We propose here measures to strengthen governance systems and increase the ability of scrutiny to act as a lever for improvement. In subsequent chapters we propose changes to ensure that the public sector can recruit and develop the strategic and adaptive leaders that these new approaches to delivery will demand. We will also propose a greater clarity of purpose for Individuals and organisations through a single and concise set of national outcomes across different services, departments and organisations.

4.128 However, these recommendations will not necessarily in themselves lead to the widespread re-shaping of public services that seems to us to be necessary. Without further action, there would be a continuing risk of pockets of excellence but effort expended in multiple invention, and the resulting innovation and best practice not applied across Wales. There are opportunities for Wales to learn collectively from expert professionals and emerging research and practice in these approaches. There is also an opportunity to ensure that these new ways of working can be established as part of the transition to the new local authorities we propose. While these changes must be led by those responsible for delivery we consider that there is a need for a national collective leadership to achieve the whole system change that is needed.

4.129 As mentioned above, the Welsh Commission on Co-operatives and Mutuals was, at the time of our writing this report, considering the use of co-operatives, social enterprises and mutuals as a route to both meeting needs and reducing direct costs. Clearly this work will help underpin the recommendations we make and ensure the delivery of sustainable public services.

4.130 **We recommend that the Welsh Government should work with others to establish a programme to review outcome by outcome how services could be best re-designed to achieve key national priority outcomes. These reviews should be led by those responsible for service delivery and draw on the experiences and expertise of organisations such as Nesta, the Public Policy Institute, the third sector, practitioners who have already implemented such changes, and of course those who use such services.**

Chapter 5: Leadership, Culture and Values

Introduction

5.1 It might be assumed that issues of leadership and culture are less significant and critical than structural and governance changes. We believe strongly that this is not the case. Achieving the right leadership, culture and values is essential to improve performance and public service delivery for users.

5.2 Our proposals for structural reforms – creating organisations with more capacity and flexibility to take strategic decisions – will fail unless those organisations also have the leadership to make the best of those changes and embed a culture and values to sustain them. A new approach to public services is required to create the step change in performance Wales needs. Public service leaders, managers and the whole of the workforce must be engaged and committed to the long term success of this new model. We received significant evidence on the importance of leadership, culture and values.

5.3 Recruiting the best people to lead organisations and establishing an open and high performing organisational culture is crucial at any time but no more so than in the face of the current and future challenges that confront our public services.

5.4 Elsewhere in this report we recommend changes to the governance and accountability structures of public service organisations. We have seen evidence of a very strong link between good governance, strong leadership and effective organisational culture, and all of these are key characteristics of high performing organisations.

5.5 We will not succeed in improving services unless we take action to ensure the quality and consistency of leadership at all levels, coupled with strong management skills and a culture and value set that supports organisations to meet the challenges of the future. Given the challenge ahead public services require a new type of leader with different skills and attributes. In this chapter we make recommendations that aim to improve leadership and management in public services and establish a culture and promote a value set which will enable public services to adapt, change and thrive.

Leadership, culture and values in public services

5.6 The economic and demand challenges that public service leaders are facing, and will continue to face, are unprecedented. The landscape in which they work is complex

with a greater need for working across departmental, organisational and sectoral boundaries and through co-production in order to deliver services. The complexity of these challenges requires adaptive leaders: those who can deal with uncertainty and ambiguity and are able to tackle issues where there is often no simple management solution. When we refer to leaders we are not just talking about those at the top of an organisation (be they political, executive or professional), but those people throughout the organisation who are responsible for providing services and managing teams. Leaders at all levels will need to be open to different ways of working, including collaboration or coproduction, and to focussing on population outcomes and on prevention to manage and reduce demand. They will need to mobilise their organisations and their resources to make changes real.

5.7 This challenge is not limited to Wales, but faces the whole of the developed world. OECD member countries are finding that "there is a gap between how their public sectors now, and how the interests of the nation need them to be now or in the future. Member countries are finding something missing between existing public service cultures and the public interest."[130]

5.8 There is a clear need for a new approach, not only to how organisations deliver services at the front line, but also to how they operate at all levels: their values, their staff and their leaders. We have heard examples of how working in silos is ineffective and frustrating;

*Initiatives are given from various silos at WG which are sometimes contradictory. (*Public Service Leadership Group (PSLG) Chief Executives)

*Greater flexibility in the use of funding could assist in providing greater value for money to address local needs through innovative practices and reduce further any silo mentality that may remain and help support interventions and preventative work. (*Vale of Glamorgan LSB)

*The Welsh Government operates in silos and can be a barrier to efficient working. (*Chief Police Officers)

5.9 We strongly believe that change and improvement can only be delivered through collective responsibility, of political, executive and professional leaders and of staff at all levels of organisations. We make a number of recommendations that are focused on:

[130] OECD 2001. *Public Sector Leadership For The 21st Century*

- Improving leadership in the public sector;
- Developing a future cadre of public sector leaders;
- Establishing a new culture of public service in Wales; and
- Developing a set of values for Welsh public services.

5.10 These recommendations aim to support leadership, culture and values in driving and sustaining high standards of delivery, performance and governance. This should enhance not just organisational excellence, but also systems leadership and develop an integrated public service for Wales.

5.11 In forming our thinking in this area we considered the evidence that many organisations and individuals provided, as well as research and examples of international best practice. This includes recognition of current good practice in Wales and what seemed to us to be widely accepted descriptions of "what good is". We have also asked the question of why, where there is good practice in Wales, it is not readily adopted or adapted throughout Wales. The phrase we constantly heard was 'best practice is a bad traveller'. The underlying issue here is no doubt one of culture and leadership: insular or defensive cultures are self-reinforcing in that they close off organisations to new ideas. This cannot be allowed to continue. Good leaders will always be the first to seek out good practice and create the space for innovation. However, it is often those organisations who are most in need of learning from best practice who are the most difficult to engage. This has to change if the performance of public services in Wales is to improve across the board. In the rest of this chapter we therefore consider:

- The characteristics of high performing public service organisations and the associated leadership, cultural and value-based characteristics that high performing Welsh public services will require;
- The evidence of the current position; and
- Our recommendations to support the development of a high performing public service for Wales.

High performing organisations

5.12 During the course of our work we sought to identify common characteristics of 'High Performing Organisations' that applied to public service organisations, and to consider whether we could find them in our present organisations. 'High Performing Organisations' is a term usually associated with the private sector where organisations have to be the best they can be in order to survive and prosper. As we note in Chapter 6, within the public sector in Wales there is no expectation of a competitive market to drive improvement. However, citizens still (rightly) expect

their services to be high quality, efficient and effective. Becoming a high performing organisation enables an organisation to improve and to maintain excellent standards of service for citizens and communities.

5.13 A high performing public sector organisation is one that:[131]

1) Generates maximum **public value**;
2) Is relentlessly **citizen centred** and **outcome focused**;
3) Ensures their capabilities and operational activities all support the delivery of outcomes defined by their **mission** [and/or Vision];
4) **Measures their performance based on those outcomes**, not just inputs and outputs;
5) Is committed to **cost-effectiveness**;
6) **Holds themselves accountable**; they actively accept their role as stewards of the public trust; and they **make their operations and results transparent to all**;
7) Is **innovative and flexible**, continually striving to improve value delivery;
8) **Responds creatively to new challenges and opportunities**;
9) **Works in open and collaborative ways**, understanding that their organisation is part of a larger system, and cultivate working relationships with other agencies, organisations and stakeholders; and
10) **Reflects their enthusiasm for delivering public value**. This evident passion engages both internal staff and external stakeholders in active support of their organisations' *missions."*

5.14 From the evidence we received there are few public service organisations in Wales who refer to themselves as, or manifest the characteristics of, a high performing organisation. It is clear, however, that some organisations are performing better than others, see Chapter 6, and there is a recognisable link between how organisations behave and how they perform.

Leadership and management

5.15 Both effective and progressive leadership and technical excellence in management are essential for the provision of high achieving public services. We heard from the Chief

[131] Accenture, 2005. *Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services.*

Executive of Denbighshire County Council that "where there is good leadership there is often a clear vision, the capacity to improve, a healthy culture of engagement, accountability, challenge and transparency and measurable improvements in performance. Conversely, the absence of these characteristics is often a reliable indicator of poor leadership."

5.16 However, it is important not to focus too heavily on leadership as a strategic transformational activity. That will not succeed if the underlying management processes and practices are unsound. The 'Future of Government Report' (PWC 2013)[132] highlights 'controlling the business' as an essential element of management. This dimension is about ensuring that the organisation adds value to its customers, citizens and stakeholders. PWC suggest that effective business control can exist outside of leadership, but leadership cannot exist without business control. Management can be seen as 'doing things right' whilst leadership is about 'doing the right thing'. It is essential that all public service organisations in Wales have management teams who are technically excellent at what they do and continually strive to improve performance, consistently recognising and adopting appropriate processes and best practice. As representatives from the Health Sector said in oral evidence to us that "middle management in the NHS is not strong enough because not enough training has been invested in them."

5.17 Evidence to the Commission has consistently reinforced the very disappointing message that 'best practice is a bad traveller'. The use of continuous improvement methodologies, external benchmarking, transparent governance and professional contestability can all contribute to a culture of best practice. We explore these issues further in Chapter 6.

5.18 We recognise the importance of good management but as has been outlined earlier in this report the challenges which confront the public sector, be it rising demand, the need to improve outcomes (such as wellbeing or sustainability), or the severe limitations on public sector budgets, are long term and unprecedented. Some if not all of these challenges could be seen to be 'wicked problems'[133]that is highly complex issues with no simple solution. In the face of such problems a conventional management response is not sufficient; there is no single process that could be adopted to solve these problems. These problems need strong leaders in place to steer their organisations through troubled waters and to be open and adaptive to change. As the Local Government Chronicle (June 2013) put it, "We need the next generation of chiefs to be free-thinking individuals who are moulded not just by

[132] Price Waterhouse Coopers 2013. *Future of Government*
[133] Grint, K. 2010. *Wicked Problems and Clumsy Solutions: the Role of Leadership* in Brookes, S. and Grint, K. (eds) *The New Public Leadership Challenge*. Palgrave Macmillan.

austerity but are set free to respond to future challenges". Leaders of the future across the spectrum of local public services will need to become more adept in operating in highly complex environments.

5.19 There is no doubt that there are public service leaders and managers in Wales that are more than capable of rising to this challenge and those that already do so , but, as we will outline in this chapter, the quality of leadership is inconsistent. In order to address these challenges we need to consider the characteristics that are needed from the leaders and managers of public service organisations. The Hay Group's 'Mind the Talent Gap' Survey (2011) identified leadership capabilities that will become increasingly important to leaders at all levels in the public sector, but that were considered most lacking in the current system. These were:

- Resilience;
- Ability to set a compelling vision and bring others along;
- Partnership and collaboration with other sectors and partners;
- More commercialism and entrepreneurial drive;
- Innovation, risk taking, looking for new opportunities;
- Communication, influencing and negotiating; and
- Commissioning skills.

5.20 Of course effective **organisational** leadership – achieving the aims of the organisation– is essential if we are to improve the performance of public services. Our citizens expect services to be joined up, and to achieve better outcomes in the future we also need **system** leadership – getting all of the components of public service to work together effectively to meet the needs of the people served.

5.21 As the Welsh Institute for Health and Social Care said to us:

System leaders need to possess most of the attributes required to lead single organisations. But they need additional ones, including:
• Understanding of interconnectedness and mutual dependencies
• Appreciation of the various policy, organisational and cultural dynamics of the organisations which need to cooperate together
• Ability to absorb organisational and accountability ambiguity
• A desire to subordinate the interests of their organisation for those of the system
• Ability to cooperate and compromise across organisational boundaries
• Imagination to develop new approaches within the confines of organisational independence

They need to be able to work in an environment which values flexibility and organisational connectedness and compromise. They need a network of people forging this new approach to leadership, from whom they can learn and derive support. And then they need to get on and lead, transform and mould existing uni-organisational structures into system mechanisms and processes.

Achieving this new leadership paradigm requires three elements which are not yet in place:
1. Recruitment strategies which explicitly recognise (in job descriptions and personal specifications) the importance of system leadership attributes. For example, all posts over a certain level should require candidates to demonstrate their own track record in effective system leadership.
2. A unified leadership development approach, which draws promising leaders together and exposes them to a blend of theoretical and action learning geared to help them address these system challenges.
3. A consistent celebration of successful system leadership, to demonstrate that it is possible, even with current organisation confines, and which persuades politicians, non-executives and others that such leadership is in the interests of their own organisations.

5.22 This will mean a step change in the type and quality of leadership across public services and at all levels of public service organisations. Leaders must not only continuously strive for organisational excellence but also play their part in the whole system of public services, with shared accountability for joined up services within their areas.

5.23 The PWC report "Future of Government" (2013) also highlights this need for a step-change and notes that "Governments and public sector leaders have a key role in this shift, re-focusing their organisations on their changed environments and projecting a clear and vibrant picture for the future which energises both their internal and external stakeholders". The Commission agrees with this view.

Culture and values

5.24 "Culture" implies the shared values, beliefs and assumptions that are deeply ingrained in an organisation's traditions and influences how an organisation thinks and acts.

5.25 We heard from Ann Keane, Chief Inspector of Education and Training in Wales, that that the *'job of leaders is to create culture'*. We agree that there is an undisputable link between leadership, culture and performance. We have heard evidence that has highlighted a worrying range of weak organisational behaviours in existence in Welsh

public service organisations; these are outlined below. We do recognise, that this paints a one sided picture; there are organisations and individuals across Wales who demonstrate the opposite of these behaviours. However, the weight of evidence that highlighted these was a cause for concern.

5.26 **Innovation, blame and risk aversion:** We have heard that there is too often a culture of blame[134] and risk aversion.[135] Current structures and processes engender a culture of compliance that promotes uniformity and consistency but stifles innovation and flexibility.[136] We heard evidence to suggest that leaders need to take risks and be given the latitude to innovate and make decisions whilst retaining accountability. For example, Estyn and the Wales Audit Office both highlighted a culture that is averse to risk and slow to innovate. Ceredigion County Council said to us that leaders of any public service organisation need to have the freedom and autonomy to innovate and take measured risks, a point that was also made by the Police and Crime Commissioners. The Federation of Small Businesses described a risk averse culture in public services which "manifests in slow bureaucratic decision-making".

5.27 **Silo working:** We have heard that silos remain a major obstacle in the public sector, limiting the building of mutual trust and co-operation. One Voice Wales identified a tendency for local authorities to have a silo mentality, citing an example where a town council wanted to build a skate park on a park owned by the local authority. In this example one department at the council supported it, another objected, but neither worked together to make it happen. The Wales Audit Office reported a similar silo approach in the Welsh Government: "...recent work on the Welsh Government's relationship with the All Wales Ethnic Minority Association (AWEMA) showed that departments funding AWEMA did not work together to share information about who was funding what and how well it was actually delivering." This example led to a major failure of governance. There appears to be an inability or unwillingness to see past particular professional or functional boundaries. It was also suggested by several organisations that current approaches to reporting to Welsh Government reinforced silo working at a local and regional level.

5.28 **Passivity:** Passivity seems to be a common problem across public services. The Bevan Commission, for example, reported that public service underperformance was too often being tolerated. We heard at our public meeting in Llandudno Junction that there was a 'poverty of ambition' in Welsh public services. Chapter 6 describes how service providers typically compare themselves with their counterparts in Wales and are content with that level of aspiration. WAO and other regulators were frustrated by

[134] Wales Audit Office
[135] Estyn
[136] Demos report

organisations' failure to react with any pace to regulators and auditors recommendations. WAO found encouraging evidence of some organisations taking determined action, citing fire and rescue authorities; but it also found that one third of organisations were failing, sometimes for several years, to fully address issues that regulators continued to highlight in their reports. Estyn reported that some schools recognised performance issues but failed to take any action until it had been reported upon. This is a leadership and process failure that is not acceptable. Flintshire County Council said in their evidence to us that "for those who are not able or willing to take personal and collective accountability there are 'comfort zones' to stay within." This view was not just expressed by organisations. At our public meetings we heard evidence that there needs to be a culture of continuous improvement and the pace of change is too slow to improve. One individual at our public meeting in New Tredegar suggested that some employees of the public service, when evaluating their own performance, seem to have a mantra of wanting to be "not the top or the bottom – (but) want to be somewhere in the middle." We also heard evidence that organisations are often combative rather than positive, and have little passion for improvement (more of this is covered in Chapter 4). A light must be shone on this lack of ambition and the impact it has on citizens.

5.29 **Parochialism:** Organisations in the public service seem unwilling to build on best practice evident in other organisations or countries. Across Wales there are pockets of best practice proven to make a demonstrable difference yet transfer across Wales is slow at best. The Society of Local Authority Chief Executives felt that 'local authorities are quite immature at accepting best practice if it emerged elsewhere, this culture needs to change.' Hafal (through oral evidence to the Commission at the Royal Welsh Show) recognised that there were areas of best practice but that it has been difficult to spread this. They suggested that mandating best practice could help but it needed strong leadership to make it happen.

5.30 **Short-termism/lack of vision:** Clarity of vision is fundamental to success and improvement, and we heard that this was not currently present in many organisations. Where it became particularly evident was the apparent need for a national 'Vision for Wales' with local authorities, inspectorates and those attending public events noting this as a problem. We heard that a lack of a clear vision can lead to inconsistency in service delivery, with different services and organisations pulling in different directions. A clear vision would foster a culture of public services working together towards the same strategic goals, and citizens would see the benefit. In Chapter 6 we highlight the importance of clear strategic national outcomes. It has been suggested that there is a role for Welsh Government to determine a small set of national outcomes and allow for local delivery and accountability. For example the City and County of Swansea Council said to us that "Welsh Government needs to

develop a national vision that is backed by a common set of values and which promotes innovation and empowers communities". Welsh Government officials also highlighted the need for clarity of vision between Welsh Government and local government in order to avoid different interpretations of strategic priorities.

5.31 Running through the behaviours above is the need for a greater level of *professional contestability* in public services. As we make clear elsewhere in this report, in order to secure the step change in performance in public services that Wales needs, all the levers to drive improvement must be consistently harnessed and strengthened where necessary. Contestability in the sense of direct user choice is minimal in our public service system but nevertheless the plurality of providers offers good scope for peer pressure and professional contestability. As part of good leadership, leaders and professionals need to develop an understanding of how they can effectively compare their performance in delivery with others; and how they can use their collective expertise to identify scope for improvement and the means for securing that. This is not to propose a return to simplistic league tables or to condone negative behaviours to improve one's own performance by undermining other partners; on the contrary, effective contestability means establishing and committing to mutual challenge in pursuit of shared objectives and supported by robust information. It can be introduced through tools such as transparent, openly shared data (including on complaints), benchmarking, good practice or professional networks. It is essential that these approaches look wider than Wales and beyond narrow comparisons with identical models. So if large scale transaction handling is done well in a private sector body, or good preventative approaches are evidenced by a small third sector organisation, strong professional contestability demands that we recognise these opportunities as well as the performance of a neighbouring organisation.

5.32 Cultural change is inherently difficult to achieve, it requires long term behavioural change. Organisations often lack capacity and space to see beyond the routine of day to day delivery. While cultural change cannot be imposed, neither can it be ignored. There is a very strong connection between effective leadership and positive organisational culture. Embedding a culture that supports high performing Welsh public services will be a major challenge for leaders; cultural change was described by one individual at our public meeting in Cardiff as "the biggest challenge facing public services". It has to be driven through a bottom-up approach; it cannot be applied from above by Welsh Government. It was suggested that we need a common purpose, something that would help 'glue' organisations together in order to create a single public service for Wales. It was also suggested that a value and behaviours framework[137] which would encourage good quality reflective practice, supporting a change in public service culture should be developed. We agree. There needs to be a

[137] Powys Local Service Board

change in culture which drives innovation, shares best practice, supports risk management and sound governance, and works towards the overall benefit of public services. We believe that well articulated values will help to underpin this. 'Values, their role and boundaries could help in the ambition for world class services.'[138]

5.33 Equally, dysfunctional cultures can have very serious consequences. The Mid Staffordshire NHS Foundation Trust Public Inquiry (the Francis Inquiry) identified the negative aspects of culture that existed in the Mid Staffordshire NHS Foundation Trust. Some of these, such as a lack of openness to criticism, defensiveness, looking inwards and not outwards and an acceptance of poor standards, mirror those negative elements of culture in Welsh public services that are identified above. In Mid Staffordshire, these went as far as creating a sense of complacency and a lack of challenge which contributed to very many avoidable deaths. The Francis Inquiry was looking at an extreme case and Francis recognised that the negative characteristics were not present everywhere in the system all of the time, but concluded that "their existence anywhere means that there is an insufficiently shared positive culture".

5.34 Francis concluded that to achieve a change in culture did not require "radical reorganisation but re-emphasis of what is truly important". A fundamental element of this cultural change was an emphasis on and commitment to common values throughout the system by all within it. The common values of the service must "be enshrined in and effectively communicated by the NHS Constitution and owned and lived by all members of the service. The NHS Constitution should be the first reference point for all NHS patients and staff and should set out the system's values, and the rights, obligations and expectations of patients". Those lessons are just as important in Wales as in England, and in other parts of the public sector as well as the NHS. They mirror those that we have highlighted - changes to leadership, culture and values that are fundamental to better and more sustainable governance and delivery.

5.35 We believe that the public sector in Wales must demonstrate the characteristics of high performing organisations, that have a consistent level of leadership and that demonstrate a culture of performance, ambition and innovation if public services are to improve in the face of economic and demographic challenges. In order to achieve this we believe that the public service in Wales should focus upon:

- Recruiting and retaining high quality leaders;
- Identifying and developing future leaders; and
- Embedding a consistent set of public service values.

[138] Academi Wales

Recruiting and retaining high quality leaders

5.36 All organisations, whether public sector or otherwise, need to recruit and retain top leaders, managers and professionals. Attracting and retaining high-quality staff is critical to organisational success, Evidence shows, however, that this is not as simple as it should be. Approaches appear ineffective when viewed across the system as a whole, we have heard evidence that organisations have struggled to fill important positions.

5.37 In particular, vacancies for senior leadership and management posts can be hard to fill, and we have heard that in some professional areas vacancy levels are high. All of the public service regulators and inspectors raised this issue with the Commission. For example, the Auditor General said (in reference to leadership in local government):

We have seen consecutive rounds of budget cuts reducing leadership capacity of senior teams in terms of numbers. Consequently, some senior teams are left very thin on the ground. This reduced leadership capacity can have the effect of stifling challenge, reducing capacity to strategize and innovate, and limiting a council's ability to lead and drive change.

5.38 There are a number of factors that exacerbate this problem.

The problem of scale

5.39 Career development is important to any senior leader and therefore larger organisations, where there is often a clearer career path, may be more attractive. There is evidence that smaller organisations may be less attractive to potential recruits. As the Hill Review of Education Services in Wales noted, it is difficult for a Director of Education to enhance his or her reputation by managing a service that includes only a very small number of secondary schools. The Care Council for Wales also saw problems in attracting specialist professionals to some social care roles. Equally, the Wales Audit Office has found evidence of problems in recruiting high-calibre ICT managers[139]; there is evidence that NHS consultants are reluctant to work in a small departments where there are limited opportunities to develop particular specialisms and conduct specific research[140]; and there may also be evidence of similar problems in recruiting transport planners.[141]

[139] WAO December 2012. *Use of technology to support improvement and efficiency in local government*
[140] Public Service Ombudsman
[141] Ministerial Advisory Group on the Economy and Transport report to Minister for Economy, Science and Transport

5.40 Even where posts are filled by high-calibre individuals, there are serious risks to smaller organisations, in particular around retaining those individuals and replacing them when they leave, highlighting the lack of resilience in small organisations. This resilience can also put unwanted pressures on individuals who have to cover for colleague's annual leave, sick leave and study leave. As noted in Chapter 3, some of the smaller public service organisations in Wales enjoy very high-quality leadership, displaying some of the most innovative approaches to improvement that we have seen. But as the Auditor General and the Public Service Ombudsman for Wales pointed out to us, having fewer senior staff in an organisation magnifies the risk arising from any of them leaving. There are several examples of organisations where continued good performance appears to depend heavily on a given Leader or Chief Executive remaining in office, and where there is probably not enough supporting management capacity or depth of management ability to manage vacancies and succession arrangements. Service governance and delivery cannot be left to chance in this way.

5.41 With a large number of public service organisations there is more competition for high quality senior and specialised staff than there would otherwise be. This has two damaging results.

5.42 Firstly, the pool of talent is being spread too thinly which creates issues for service resilience and tends to manifest itself in service or whole system under performance. This is not a recent problem. The 2006 Beecham Report concluded that an obstacle to the success of the collaborative model was that existing managerial capacity was spread too thinly. We have not seen any evidence to suggest that this problem has been addressed since 2006.

5.43 In the past in order to recruit to senior posts too many organisations have looked to a local pool within the organisation, rather than seeking to recruit from national and international markets. As Denbighshire County Council noted in its evidence to us:

[Appointing the best people] seems like a rather obvious starting point for building strong leadership, but in fact it is difficult to do in the Welsh context. In Denbighshire County Council there was a culture of appointing from a local pool, rather than opening up to national and international markets. [Since 2008], the council has decided to advertise all senior posts nationally… There is no national framework… for appointing senior public officials so Denbighshire has developed its own.

5.44 In his oral evidence to us, the Auditor General for Wales stated that this tendency to appoint largely from within was widespread; Denbighshire appears to be an exception. Whilst this may ensure continuity and maintain corporate knowledge there is a

greater risk to organisations that do not bring in new perspectives and approaches from outside the organisation. Over time they can potentially limit the diversity of an organisation, make it insular in its vision and become hardened to change. In its oral evidence to the Commission, the Wales Audit Office reflected that culture and leadership could at times be insular and similar feelings of 'closed' organisations were reflected by Care and Social Services Inspectorate for Wales.

5.45 The competition for specialised staff is equally strong and the Commission have heard of difficulties in recruiting and retaining staff across a range of services. In December 2012 WAO[142] reported that 'recruiting and retaining suitably skilled technical staff in some areas such as network and database administration is a significant and common problem.' Similarly a lack of specialist skills in planning appears to have wider implications for the ability of local planning authorities to deal with planning applications within the statutory periods. We have heard similar stories in relation to transport, conservation services and, in some instances, library services where the difficulties experienced when recruiting and retaining specialist staff risk affecting service delivery.

5.46 Second, the Commission has heard evidence that the limited pool of talent has led to a bidding war between organisations for senior personnel and, consequently, salaries are being driven up in an attempt to retain or 'poach' staff. WAO[143] has also spoken of some of the smaller organisations paying less than some of their larger counterparts. Consequently, they may be less able to attract higher quality applicants or applications from further afield.

5.47 We heard that the cultural distinctiveness of Wales has also had a part to play in limiting the pool of available talent. Culture, language and the increasing divergence of English and Welsh policy make working in Wales distinctly different with its own unique set of challenges. We do not believe however that the cultural distinctiveness of Wales should be a barrier to recruitment and retention. As the Association for Chief Police Officers in Wales highlighted in their evidence, 'There should be a stronger emphasis made of the benefits of working within Wales to attract leaders. Due to the size of Wales, it is much easier to get things done quickly. The proximity of partners facilitates collaborative working and engagement with other agencies.' This was echoed by a number of other organisations and individuals.

5.48 Local authority chief executives (who gave evidence to us representing the Public Service Leadership Group) recognised that cultural barriers need to be addressed regarding recruitment and that Wales needs to be made an attractive place to work,

[142] WAO, *ibid.*
[143] Private correspondence from the Auditor General for Wales.

focused on recruiting the very best. We agree that **it is of fundamental importance that only the very best people are appointed to lead public service organisations.**

Diversity

5.49 Diversity is not simply about gender or ethnic diversity; it is about different voices, not just different characteristics of people. People in senior positions, on Boards and at the head of organisations often share many characteristics, and therefore a common way of thinking can be inherent in the system. As we have outlined above, the public service leader of the future will need to have a different range of skills from the leader of today; they will need to embrace new and innovative approaches and will need to lead on a systems basis. We believe that a lack of diversity would hinder this improvement.

5.50 There is well-established evidence that "representative bureaucracies" - i.e. public organisations with a workforce that reflects the demographic characteristics of service-users - are more responsive to those service-users' needs.[144] Research has shown that better representation of women and ethnic minorities in public service workforces appears, on average, to lead to better outcomes for those segments of society.

5.51 We have not received a great deal of evidence to suggest that the diversity of organisations is a major cause for concern in Wales. However, a key consideration for the future is whether a more diverse cadre of public service leaders could yield better and more responsive leadership.

5.52 The Welsh Government's 2012 Local Government Candidates Survey found that, of the candidates at that year's local elections in Wales, the majority were over the age of 60, identified their ethnicity as 'white' (99.5 per cent in terms of elected councillors), stated their religion as Christian (83 per cent of elected councillors and 70 per cent of unsuccessful candidates) and only around 30 per cent were female. These statistics show that the diversity of elected councillors does not reflect the diversity of the population that they serve. Indeed, at the time of writing, of the 22 local authorities in Wales there were only two where the Leader of the Council was female and only four where the Chief Executive was female. In response to this survey the Minister for Local Government and Government Business established an 'Expert Group on Local Government Diversity'. The Group was tasked with developing an action plan for the Welsh Government, local government, political groups and other stakeholders to help to design policy aimed at increasing diversity amongst councillors

[144] Walker, R. and Andrews, R. *Local Government Management and Performance: a Review of Evidence.* Journal of Public Administration Research and Theory, forthcoming.

elected at the 2017 local elections. It had not reached conclusions at the time of this report.

5.53 Chwarae Teg highlighted to us that more needs to be done to support women moving to decision-making positions. They suggested that creating an inclusive culture and increasing gender balance at a senior level could lead to a change in values and culture that would create an environment in which more women can succeed. Research shows that many women are still working below their potential.[145] A report by Professor Marcus Longley into community health councils also highlighted that the membership of Community Health Councils 'remains disproportionately white, older and middle class'.

5.54 In recent years Sport Wales have made efforts to improve the number of women who apply and who are appointed to the Sport Wales Board. This was achieved through direct action from Sport Wales and the Welsh Government; a case study of this work concluded that, without leadership and considered action, the representation of women in public appointments is unlikely to improve.

Improving recruitment and retention

5.55 Our recommendations in Chapter 3 aim to address some of the issues caused by the scale of organisations in public service delivery. Specifically, a reduction in the number of local authorities in Wales should help to address problems of recruitment and retention. If there are fewer organisations then fewer high calibre chief executives or other senior personnel would need to be found, jobs would be more substantial and therefore more attractive to a wider pool of people (including internationally), and it would be easier for organisations to recruit specialist staff. This recommendation is covered in detail in Chapter 3. We cannot assume, however, that structural change will lead automatically to improved consistency in the recruitment and retention of high quality leaders and managers.

5.56 We did hear some evidence proposing an alternative model for the recruitment of the most senior positions in public sector organisations. The example of New Zealand was highlighted, where appointments of departmental chief executives (including permanent secretary equivalents) are made on merit through a process run by the State Services Commission and overseen by the State Services Commissioner.[146] 'Chief executives' are then held to account by the state services commissioner, and by their

[145] Chwarae Teg 2012. *A Woman's Place*.
[146] Paun, A and Harris, J. 2012. *Reforming civil service accountability: Lessons from New Zealand and Australia* Institute for Government

minister, for delivery of clearly expressed departmental objectives. Although we recognise the potential of the New Zealand model for public appointments, in terms of implementing a consistent model for recruitment and for improving accountability, we have not seen sufficient evidence to weigh up the full advantages and disadvantages of such an approach, particularly in terms of the responsibility for recruitment being removed from individual organisations. However, as we noted above, at least one public body (Denbighshire County Council) has had to devise its own outward-looking recruitment process in the absence of a national one. We believe that the need for high-calibre leaders is pressing across the public sector, and demands a consistent solution that applies across the public sector.

5.57 **We recommend the development of a national framework of criteria and processes for the appointment of senior public sector officials, the adoption of which must be kept under regular review.** This framework should aim to ensure that public service organisations consistently appoint the best and should support and promote a Welsh 'unique selling point' making Wales attractive to these individuals. The framework should include: guidelines for advertising senior posts across national and international markets; guidelines for how to ensure diversity in applicants; and consideration of whether a single recruitment portal for Welsh public services would help encourage and support applicants. The newly established public service leadership and development centre, as outlined later in this chapter, should lead the development of this framework on behalf of, and through engagement with, the whole of the public sector in Wales and keep the adoption of the framework under review. This could include a panel of independent assessors. **We also recommend that the Welsh Government should consider establishing an appointments commission for all senior public sector leadership posts,** similar to the New Zealand model outlined above.

Identifying and developing future leaders

5.58 We heard evidence from a variety of public service organisations[147] that there is a need to identify and promote talent from across Wales more consistently. At our public meeting in Llandudno Junction we heard that "we don't properly nurture and develop leaders in Wales"; and at our meeting in New Tredegar that "there is a deficit in developing good managers." Leaders and senior managers tend to be approaching the end of their careers, so it is essential that organisations identify, nurture and develop the leaders of the future wherever they sit within the organisation.

5.59 Leadership should not just be viewed as the highest level in the organisation (be it the chief executive, the board or the cabinet). 'On its own a model that locates leadership

[147] Including Wales TUC; Public Service Leadership Group Chief Executives; WIHSC; Estyn.

in managers, especially a limited number holding senior positions, is incapable of transforming organisations for which they are part'.[148] Leadership needs to be exercised at all levels by developing capability. Authority should be given to make decisions at the lowest appropriate level, and individuals should be held accountable.

5.60 Elin Jones AM said to us that it is:
especially important to promote and develop leadership skills amongst the workforce. Leadership is not the sole responsibility of the Chief Executive or Director. It exists at every level – in the fire station, on the ward, in the roads depot and in the Chief Exec's office. Leadership is perceived as a weakness in the public sector, and training the workforce is essential if this is to be improved. Identifying and developing future leaders is also essential and providing career paths within an integrated Welsh Public Service would ensure that we are able to keep our best people here in Wales.

5.61 The Hay Group's 'Mind the Talent Gap' Survey (2011) recognises that most public sector organisations have not renewed their talent management strategy or thought strategically about the capabilities of their workforce in order to prepare for financial and operational challenges. The Hay Group also recognise the importance of retaining and developing talent at middle management levels, as it is these middle managers that will lead their teams to deliver the organisation's vision.

5.62 It is therefore important that the public service is able to consistently identify emerging talent, wherever it is located within the organisation, and develop the leaders for the future.

5.63 Current approaches to leadership identification and development are fragmented between organisations with different services developing their own development programmes aligned with their own organisational requirements. We have seen examples from fire services in Wales and the Association of Directors of Social Services. A One Wales Public Leadership Survey[149] undertaken in 2010 reported that chief executives perceived that there was 'room to grow' when it comes to senior succession planning; and that they seemed to consider that their organisations were better at identifying talent than they are nurturing and developing talent. This may go part of the way to explaining the fragmented and inconsistent approaches adopted.

5.64 It has been suggested that future leaders should gain experience working across a variety of areas of public services in Wales at all levels, including the civil service and possibly the third sector, in order to broaden their experience.[150] This would:

[148] Academi Wales Written Evidence.
[149] Odgers Berndston November 2010. *One Wales Public Service Leadership Survey Report.*
[150] Bevan Commission

- help improve the quality of leadership across public service;
- remove barriers of silo working;
- break down cultural barriers between organisations;
- create improved networks and greater understanding;
- facilitate collaboration and integration at an organisational and service level; improve the spread of best practice across public services;
- aid in the recruitment and retention of leaders;
- contribute to the development of 'system leaders' and 'systems thinking'; and
- help instil a culture of 'one public service for Wales'.

  We agree that **working across public services should be an essential component of career development**

5.65 As outlined above we have heard that the quality of professional leadership in Wales, whether officers or elected members is too variable[151] and that there is a need for a consistent and mandated approach to leadership development. This view was echoed by organisations in health, local government, the third sector and regulators and inspectors.

5.66 In order for Wales to promote a consistent approach and to ensure all public services are developing future capacity, we believe that there needs to be greater engagement and consistency across all public services. In their oral evidence to the Commission Society of Local Authority Chief Executives suggested that defining the expectations of leaders and managers should be done at an all Wales level, and to facilitate this there should be mandatory training.

5.67 The beginning of a single approach to leadership development, looking at a single profession, is HR Cymru. HR Cymru is a single HR leadership group, spanning the Welsh public sector, bringing professionals together to build human resources capability, share resources and provide cross-sector leadership on HR matters. Whilst this is a very specific example, it does demonstrate that a specialist function across the public sector can come together to create a unified group, sharing best practice and building capacity. Another example is the common approach across the three fire services, which has saved money, facilitated the interchange of staff and helped to create a common set of service values but we need to develop a consistency across the whole public service in Wales.

[151] Flintshire County Council

5.68 We have received evidence suggesting that training and development should not just be a requirement of officers.[152] In the absence of a co-ordinated and consistent approach to the training of elected members, some organisations have developed their own training programmes - for example the programme of training for local councillors developed by One Voice Wales. While these individual approaches have been effective in increasing skills on a local basis, a consistent approach to developing skills to support effective scrutiny and public engagement has been identified as a key priority for the future. We cover this in more detail in Chapter 4.

5.69 We have identified a common set of leadership issues and a need to identify leaders in a consistent manner. There should therefore be a common approach to leadership development across Welsh public services. Box 5a outlines the role of Academi Wales which in recent years has been the focus of Welsh Government attempts to develop this common approach to leadership development.

5.70 During the last ten years Public Sector Management Wales (PSMW) and the National Leadership and Innovation Agency for Healthcare (NLIAH), which have now merged to form Academi Wales, have been providers of leadership development. They have aimed to shape the future of leadership and leaders within Wales through a programme that draws on 'what works now' as well as developing and seeding emerging leadership concepts and trends for the future. The Welsh Government's *Programme for Government* outlines the role of Academi Wales as 'the strategic centre for leadership excellence across the Welsh public service'.

5.71 Our evidence suggests that, although Academi Wales has made great strides in some areas, its reach is limited and it is not widely recognised as the strategic centre for leadership excellence across all public service bodies in Wales. The training courses provided by Academi Wales are voluntary and tend to be demand-led. As a result, there is a tendency to provide training to those organisations that are already engaged in developing their future leaders and establishing a sense of distributed leadership throughout their organisation.

[152] Organisations include local authorities, town & community councils and community health councils; Wales TUC

Box 5a: Academi Wales

The Welsh Government's Programme for Government made a commitment to establish a 'Strategic Centre for Leadership Excellence across the Welsh public service'. This resulted in the former Public Service Management Wales (PSMW) becoming Academi Wales. From its inception, a number of underpinning principles were agreed for Academi Wales, namely:

- the Centre should exist as a virtual concept, branded and built on a strong foundation of stakeholder relationships, held within the original PSMW structure;
- the majority of services and products would be commissioned or delivered through partnership with external suppliers;
- a joint approach to delivery of leadership development at the most senior levels of public service would enable more value to be extracted from the work undertaken by PSMW and other providers;
- research and development into current thinking and best practice would be a constant and consistent delivery requirement, underpinning programme and product development;
- evaluation and return on investment methodology would be embedded at the core of all delivery practice;
- strategic alliances would be made more explicit with the higher education sector and with other improvement bodies to ensure alignment and value for money;
- creation and delivery of a suite of products that are future-proofed to withstand the test of time, maintaining the ethos of excellence in public service delivery, creating world class and 'gold standards' of leadership development across Welsh public services;
- working across Wales to set standards and offer quality assurance advice on leadership development;
- the work of the Centre should be directed through a Stakeholder Board reflecting the views and interests of public service organisations to optimise engagement.

In April 2013 Academi Wales was also given the remit to deliver the NHS leadership agenda.

5.72 We do recognise, however, the work of Academi Wales has gone a long way to establish the importance of having an all-Wales body that concentrates on public sector development. It has established a useful network of relationships and collaborations, including public sector delivery organisations, other leadership development providers within the UK and internationally, the voluntary and third sectors, higher and further education institutions and other government departments across the UK. We recognise that these connections have been utilised to good effect and have enhanced the reputation of Academi Wales.

5.73 We believe, however, that Academi Wales in its current form does not meet the requirements of creating a step change in leadership, culture and values across public

services in Wales. There is the potential for an all Wales public service leadership and development organisation to be an even greater asset to the public service in Wales and to support the future direction of public services that we outline in our report. We feel that there is a great deal more that should be delivered by such an organisation. In essence the driving vision behind Academi Wales has evolved from its former roles as PSMW and NLIAH but for its role to be transformed and for it to expand its reach across the whole public service, it must be, and be seen to be, more than a training provider. It should be an organisation that:

- Is tasked with leading the development of a cadre of public service leaders, managers and professionals suitable to meet future challenges;
- Is the custodian of the 'science of improvement', standardising principles and techniques that aim to drive performance in public service delivery;
- promotes and is a visible expression of public service values (a matter which we explore further later in this chapter);
- Is accountable to the public service that it is there to support;
- Spreads good practice and supports innovation;
- Leads on good governance and the development of scrutiny;
- Encourages international comparisons and benchmarking; and
- Drives whole systems thinking and systems leadership.

5.74 In order to increase the reach of the contribution from a public service leadership and development centre and to increase engagement levels from across the whole of the public service in Wales, we believe that the existing resourcing, operational and governance arrangements of Academi Wales will need to be transformed and significantly strengthened.

5.75 Box 5b highlights some international examples of leadership academies that have a wide remit across public services. These two examples, Ireland and New Zealand, are widely recognised as examples of best practice.

Box 5b: International Examples of Leadership Agencies

Institute of Public Administration (Ireland)

The Institute of Public Administration is Ireland's public service development agency focused exclusively on public sector development. It delivers its service through:

1) education and training, building people's capability to meet challenges;2) direct consultancy, solving problems and helping plan and shape the future;3) research and publishing - understanding what needs to be done and making these findings readily available

The IPA is governed by a Board, led by a Director General and Chair, the organisation is established as professional development institution and was originally affiliated to the University of Dublin. Funded through membership and income generation opportunities from within Ireland and internationally, the IPA has redefined its business model and is moving towards core government funding model and removing the membership option, although income generation will remain unchanged.

State Service Commission (Leadership Development Centre) – New Zealand

The Leadership Development Centre was established by public service chief executives and the state services commission in New Zealand to build leadership capability across the public sector. LDC supports leadership development across the public sector system through:

- connecting the many parts;
- informing and challenging its performance;
- brokering and delivering development activities;
- collecting and sharing evidence on what works.

LDC is a membership organisation, governed by a Board of Trustees and led by a Chief Executive. Its primary role is that of strategic partner to chief executives and to the State Services Commissioner, supporting their respective interests in developing highly effective public sector leadership.

5.76 It is essential that Wales has a single body focused on developing public service leadership, culture and values, and owned by the whole public service. To facilitate the consistent approach required and in order to meet the needs of the future shape of public services **we recommend that there must be a new public service leadership and development centre for Wales, owned by, and accountable to, the whole of the public sector in Wales.**

5.77 **The Welsh Government must take the lead in creating this new leadership and development centre. The centre will replace the current Academi Wales.** We specifically recommend that:

Governance and organisation

- The new public service leadership and development centre should be established and recognised as the pan public service provider of leadership development and training;
- To discharge this role the organisation should be established outside of Welsh Government reporting to a Board with representation from across Welsh public services together with leading figures in public sector management, business and academia – to ensure the delivery of international best practice;
- A chair person and chief executive should be appointed with the track record to be able to develop high quality public service leadership in Wales;
- Given the importance of this body in creating and sustaining value-led change, the Government should consider whether the chair, and/or other members, should be formally appointed by Welsh Ministers;
- In order to ensure that senior political and executive leaders play a key role in the development of future leaders, the Board should establish a faculty of top leaders who are prepared to share their experience and expertise by participating in teaching and development programmes; and
- In order to ensure commitment to customer requirements and to embed ownership and provide accountability, each public service organisation in Wales should contribute to the cost of the organisation through a contributory charging model.

Remit

- The newly established Board should ensure that the organisation's independence and pan public service remit is upheld;
- The Board should focus on bringing together the best leadership programmes and themes, based on international best practice, to ensure a consistently high calibre offering of learning and development. This will involve working very closely with Welsh universities and other organisations such as the Public Policy Institute for Wales;
- In addition to leadership development and training, the organisation should develop and utilise skills in talent management to develop a cadre of public service leaders for the future and play a key role in overseeing the movement of potential leaders for the future across public service organisations to gain experience;
- All current leaders and identified future leaders (both officers and elected members) should undertake mandatory leadership development programmes through the organisation, supplemented as necessary by sector specific training.

We would also emphasise the importance of the selection and development of 'middle management';

- The Board's remit should address the areas, which we identify throughout this report, where there is a need for a significant improvement in skills and competencies across public services. This will include: the constant application of good governance; strengthening continuous improvement; improving scrutiny; and adopting new forms of delivery;
- The Board should ensure that its programmes reflect the requirements of the corporate plans of public service organisations; and
- The Board should develop and implement a framework for recruitment of senior public service leaders (see above) and lead the development of a core set of public service values (see below) to drive the transformation in public services.

5.78 **We recommend that the new centre must be established by the end of 2014-15 to ensure that the required support for leadership and cultural change is in place to support the whole programme of change we recommend in our report.**

Improving consistency in skills and behaviours across public services

5.79 With the changing face of public services and our aim of establishing a more integrated and flexible public service workforce in Wales, we believe that there is a need to consider the skills required for future public service leaders and managers. The Chartered Institute of Public Finance and Accountancy, for example, felt that early planning in Wales would be essential to ensure that opportunities afforded by new fiscal powers (proposed by the Silk Commission) are matched by a skills base and capacity to implement and scrutinise new arrangements. Other organisations[153] felt that there was a deficit in the skills required to work across boundaries and that these should be embedded in leadership and management capability. Equally a skills deficit was noted in relation to franchising, commercial skills and commissioning. In addition there is the development needed to draw promising public service leaders together and develop their abilities to address system, as well as organisation, challenges. The need to develop skills and competencies applies both to officers and to elected members. Throughout our report, we identify specific areas where skills need to be improved for example in governance, scrutiny and delivery (see Chapter 4).

5.80 High performing organisations demonstrate a culture of performance improvement, and one that recognises the value of their staff in delivering and demonstrating the organisational vision and values. To facilitate this it is essential that every organisation delivering public services has an effective performance management system in place:

[153] Including Natural Resource Wales; Conwy & Denbighshire LSB; Welsh NHS Confederation; Vale of Glamorgan Council.

one that engages staff, links the objectives of the organisation with personal development plans and drives improvement.

5.81 Evidence to the Commission did not highlight specific issues with the performance management of people (rather than of organisational performance more generally – see Chapter 6) but we do know that there are inconsistencies of timing, frequencies of reviews and duplication and variances of practice across the sector. However, as we explain in the next chapter, more needs to be done to ensure that organisational performance management is reflected in the objectives of teams and individuals, and how delivery of those is appraised.

5.82 We are not suggesting that every public service organisation subscribes to a single performance management and improvement system. We would however, highlight the need for leaders to create a performance management culture within their organisations. Organisations must measure performance and report on progress consistently in a way that is timely and transparent, to support good governance and drive continuous improvement. KPMG[154] identified the following for developing a performance management culture in public sector organisations:

- Agree a small number of consistent measures and embed performance management down throughout the organisation;
- Strike a balance between quantitative and qualitative indicators. Give preference to relevant qualitative information over irrelevant data;
- engage the whole organisation- educate staff to ensure that performance indicators will be interpreted consistently across the organisation and explain the links between actions and performance management;
- Include staff in routine decision making and the overall development of performance management within the organisation;
- Link individual performance and incentives to the achievement of organisational objectives; and
- Seek to ensure that any additional reporting burden on staff is balanced by the benefits to them of having additional, and meaningful, performance information.

We will return to this issue in Chapter 6.

5.83 In order to achieve a level of consistency in individual and organisational performance management across public service organisations there are benefits from having a common approach to embedding consistent and acceptable behaviours and skills

[154] KPMG China, 2009. *An Achievable Quest: High Performing Public Sector Organizations.*

(and, indeed, from developing a consistent set of public service values, as we will outline later in this chapter). This would:

- Ensure a consistent approach to identifying talent and improving collective assessment of available talent across the public service;
- Ensure that workforce planning is considered as a pan public service exercise ensuring that leadership is developed where it is most needed;
- Aid the recruitment of high quality candidates with the competencies required to drive improvement;
- Support the flow of staff between organisations; and
- Support the development of leaders and managers who demonstrate the characteristics that organisations will require in the future, for example systems leadership and operating in a bilingual environment.

5.84 Commonality in behaviours and skills would also create a greater sense of purpose across public service organisations and embed the sense of 'one public service' which, as stated throughout this chapter, we believe is important to the success of Welsh public services in the future. We recommend above that the new public service leadership and development centre should work to improve the quality of leadership and management in the public sector and raise the level of skills in the areas that we identify throughout this report (for example governance, scrutiny, delivery). However, we also believe that improvements in public service performance can be driven by the values of the public service workforce as well as their skills.

Embedding a consistent set of public service values

5.85 Values give organisations their shape and moral compass. In the broadest sense values are defined by the Oxford English Dictionary as:

'Principles or moral standards of a person or social group'

5.86 In relation to the role of values within public services in Wales, the definition provided by the OECD (1996) in its study of organisational ethics and values is arguably the most helpful. It argued that values in the context of public services were:

'The judgement about what is good or proper from the perspectives of individual principles or standards.'

5.87 Values, and the behaviours they engender, ultimately help create the culture of organisations. As outlined above, a high performing organisation demonstrates the absolute importance of aligning an organisation's mission, strategy, culture and most

importantly, actions. Where culture aligns with the values of individuals they feel liberated and with that comes commitment, creativity and enthusiasm.

5.88 The evidence presented to us has clearly demonstrated the importance of a positive value set in underpinning organisational culture and organisational delivery. Indeed, there are examples of organisational values from across public services in Wales. Health bodies, for example, have adopted the FREDA principles of Fairness, Respect, Equality, Dignity and Autonomy as their underlying value set.

5.89 As outlined above, the challenges that confront public services, be it rising demand, the need to improve wellbeing outcomes, or the limitations on public sector budgets, are severe and unprecedented. In the face of such problems a management response is not sufficient; there is no process that could be adopted to solve these problems. These problems instead need a leadership response, with strong leaders in place to develop organisations that are open and adaptive to change. We believe that establishing an effective culture is an essential part of this and the development of a clear and consistent approach to values across public services will help to address these challenges and contribute to continuous improvement.

5.90 Wales is a small country but one with a strong culture which creates a strong sense of community. We believe that it makes sense for a country the size of Wales to foster the ethos of one single public service, not one made up of seemingly disparate organisations. There needs to be a strong sense of common purpose, one that will act as the foundation for reforming public services. As we indicate in Chapter 4, a hallmark of good governance is the development of shared values that become part of the organisation's shared culture, underpinning policy and behaviour.

5.91 We highlight the importance of enhancing both organisational leadership and systems leadership, and encouraging the creation of one public service ethos for Wales. This will encourage the spread of best practice and help to remove artificial silos that are a barrier to providing the joined-up public services that citizens need. A consistent culture, with a consistent value set, will allow this sense of one public service to develop and is, we believe, essential to Wales achieving world class public services.

5.92 We have heard a lot of evidence which demonstrated that organisations across the public sector felt that values were important and, in the majority of cases, had developed their own organisational values. There was less evidence, however, which demonstrated that these values had permeated the organisation. Values must be more than words on a page; they should be engrained in decisions relating to delivery

and 'enable a judgement about what is good and proper from the perspectives of individual principles and standards.'[155]

5.93 It was indicated by some that the development of a common set of values for Welsh public service organisations may not be possible due to the range of services provided[156] and the different cultures.[157] We do not agree. The majority of opinion that we heard suggested that it would be possible to develop a set of public service values meaningful to anyone in any public service organisation, and that will help drive a change in culture.

5.94 **We recommend that public service leaders should develop and embrace a set of public sector values.** We would expect these values to: continuously strive to achieve best practice; unequivocally commit to the delivery of seamless high quality services; renew a sense of 'publicness'; foster partnership working and pursuit of shared objectives; facilitate sharing of resources and interchange of staff; and manifest Welsh culture and language and demonstrate distinctiveness. The values may also reinforce the following broad areas:

- The public service must be tireless in seeking to understand what their diverse stakeholders need and experience from their services, and work with communities as partners in improving provision;
- Wales's public services have often suffered from poverty of ambition. Leaders and organisations should always seek to learn from others - not just their Welsh counterparts but in the rest of the UK and beyond;
- Learning and staff engagement should be at the core of public service organisations. Staff are valuable, their experience should be utilised and staff development should be of central importance;
- Leaders should be mindful that their own and their organisation's interests are linked to, and a part of, the interests of the wider public service;
- Organisations should be open to accountability: they should engage in dialogue and discussion on past performance and future priorities;
- Organisations should support innovation and learning across organisational boundaries. A focus on continuous improvement is as much a mind-set as a set of procedures; and
- Wales has a constitutional commitment to sustainability. Public service organisations must look beyond short term considerations to ensure that the services they pass on to their successors are fit to cope with future needs.

5.95 Because of Wales's different circumstances, public services will wish to:

[155] OECD 1996. *Ethics in the Public Service: current issues and practices*
[156] Vale of Glamorgan Council
[157] Denbighshire County Council

- Interpret some values differently;
- Emphasise some values more than others; and
- Adopt sector specific values in addition.

5.96 Annex I highlights some existing value sets from public organisations in Wales and gives an indication of the kind of areas that a consistent set of Welsh public service values could include. Where values have been embedded throughout the organisation they have been developed through engagement not enforcement. That is critical if values are genuinely to bind public servants into a common outlook and set of commitments. Organisations must develop values through engagement with staff, service users and partner organisations, to identify what is important to them. This process is essential. **We therefore recommend that in order to drive this change:**

- **The new public service leadership and development centre must establish a time limited project to promote and embed a consistent set of public service values;**
- **These values must be developed within two years through a collaborative and meaningful process involving staff from across public service organisations and at all levels;**
- **Once agreed, the leaders of all public service organisations in Wales should adopt these as the core values to which any local or sector specific variations are added; and**
- **The public service leadership and development centre must use values-based development as a principle of all training and development opportunities, demonstrating the shared values in all aspects of learning.**

Chapter 6: Performance and Performance Management

Introduction

6.1 The preceding chapters of our report have focused on how the Welsh public sector is structured, how it operates and how it is led. They have identified numerous issues and weaknesses which need to be tackled holistically if the public sector is to meet the long-term challenges that it faces. In this chapter we consider the immediate consequences of those issues and problems as they relate to performance – the standard of public services that organisations are able to provide.

6.2 Overall, the performance of the main public services in Wales is poor and patchy, and is characterised by a lack of ambition. There is some evidence of some services and some organisations performing well. But the overall picture shows stagnant performance over time and excessive variations in performance across Wales. There is also evidence that many services in Wales do not perform as well as those elsewhere. Our public services are struggling to cope now; they will certainly find it very difficult indeed to cope with the forthcoming and unavoidable challenges of increasing demand for services alongside decreasing public resources to provide them. Attaining sustainably good performance in the longer term appears impossible as matters stand.

6.3 **We believe this is a direct consequence of the wider issues we have identified**. The problems of complexity, scale, governance and leadership interact to create a public sector that cannot perform as well as it needs to, whether in providing the services people need now, or, more crucially, redefining those services to make them sustainable in the longer term. This is no criticism of the individuals and organisations who provide public services; we acknowledge their commitment and dedication, it is simply that they are working within a system that does not and cannot maximise those attributes.

6.4 A related issue is the way in which performance is managed, both within organisations and across the public sector as a whole. Evidence from around the world shows that performance management can significantly improve service quality if the right data, benchmarks, systems, and incentives are in place. But current approaches in Wales are a long way from achieving that. There is a widespread lack of clarity and

consistency about the objectives that are pursued; about how progress is measured, monitored and accounted for; and about the mechanisms to drive improvement. There is also too much emphasis on measuring and targeting inputs and processes rather than the outcomes to which they should contribute; and far too great a sense of contentment about performance within Wales rather than comparison with the best in class elsewhere. Again, we believe this is a product of the wider issues of complexity, scale, governance and leadership; and like those wider issues, radical action is needed to address it.

Performance

6.5 Generalising about the performance of Welsh public services is not easy, both because of the range of those services and because of the problems of performance management and performance data which we describe later in this chapter. However, the overall picture is worrying, both in terms of performance over time and in comparison between organisations and between Wales and other countries.

Performance trends

6.6 In many major services, performance in Wales appears to be improving only marginally over time, and relative to other countries in the UK. That has been true for some time, and predates more recent financial pressures. As one major recent study of local government services notes,

against a backdrop of increased spending, most services achieved only modest improvements in performance between 2007 and 2011.[158]

Evidence we received from the Royal College of Surgeons corroborated that as regards health services:

Between 2009-2011 hospitals in Wales had significantly poorer clinical outcomes than in England, in part a result of a sub-optimal number, size and distribution of hospital services. This in turn has knock-on effects with regards to training, manpower and recruitment.

6.7 In his oral evidence to us, the Auditor General for Wales described the performance of public services as 'poor and patchy' – a description which resonated not only with the other major regulators but with many others, including members of the public who

[158] Martin, S. *et al.* September 2013. *Learning to Improve: an Independent Assessment of the Welsh Government's Policies for Local Government*. Welsh Government

gave evidence to us.

6.8 A few examples based on recent performance trends in local government services and health services bear this out. These are derived from the performance data that are currently collected. As we discuss later in this chapter, these data can have some serious deficiencies, particularly the lack of outcome focus. The data we have selected are more focused on service quality and outcomes, but we are still limited by what is available. We have included these data to substantiate broad points about levels and ranges of performance, not to present a comprehensive and fully detailed analysis of the performance of all services. In particular, we have not reflected minor changes or differences in data definitions which might render data not precisely comparable between countries or over time, but which do not change the broad position.[159] In all cases, data are taken from official government sources such as StatsWales or equivalent sources in other jurisdictions.

Local government services

6.9 Local authorities of course provide a very wide range of services, the performance of almost all of which is measured using a wide range of indicators.

6.10 **Education** performance has attracted a good deal of debate and criticism in recent years, with the general view being that standards are lower than in other jurisdictions and not improving quickly enough. Performance data tend to substantiate that point. The percentage of children getting five GCSEs at grades A* to C including English or Welsh and Mathematics is improving only slowly, and the gap compared to England has widened markedly, although there was a slight narrowing in 2012-13. ***(Fig. 6a)***. Likewise, absence from secondary school remains significantly higher than in England ***(Fig. 6b)***. As we explain later in this chapter, there is also a wide disparity in performance between Welsh local authorities on several educational indicators.

6.11 **Social services** are the second largest local authority service in terms of expenditure. As we have explained elsewhere in our report, they also create very significant pressure on local authority resources. Demand for adult social services in particular is bound to increase further as the population grows older, and demand for children's services has also increased as the number of children taken into local authority care

[159] For instance, in England secondary school attendance is calculated across the autumn and spring terms only, reflecting the fact that many pupils are given study leave for examinations in the summer term and are not required to attend school. In Wales, attendance is calculated across the academic year until the end of May, and pupils on study leave are, for the purposes of the indicator, deemed to be absent from school. This means our graph of school absence probably overstates absence in Wales relative to England by a very small margin (study leave accounted for 0.8% of all absences in 2012-13, and raised the overall absence rate by 0.1%).

has increased. The quality of services, though, has improved at best only very slowly. For instance, there has been no improvement in stability of placements for looked-after children (***Fig. 6c)***; or in the proportion of older social services clients who are supported in the community rather than in residential care ***(Fig. 6d)***. Again, data we analyse later in this chapter show a very wide range of performance between local authorities on some measures of social services performance.

6.12 This pattern of largely static performance is also seen in other local government services. For instance, the cleanliness of roads and public spaces has not improved over the past six years ***(Fig. 6e)***; and there remains a wide gap between the proportion of households who are homeless in Wales compared to that in England (***Fig. 6f)***.

Figure 6a

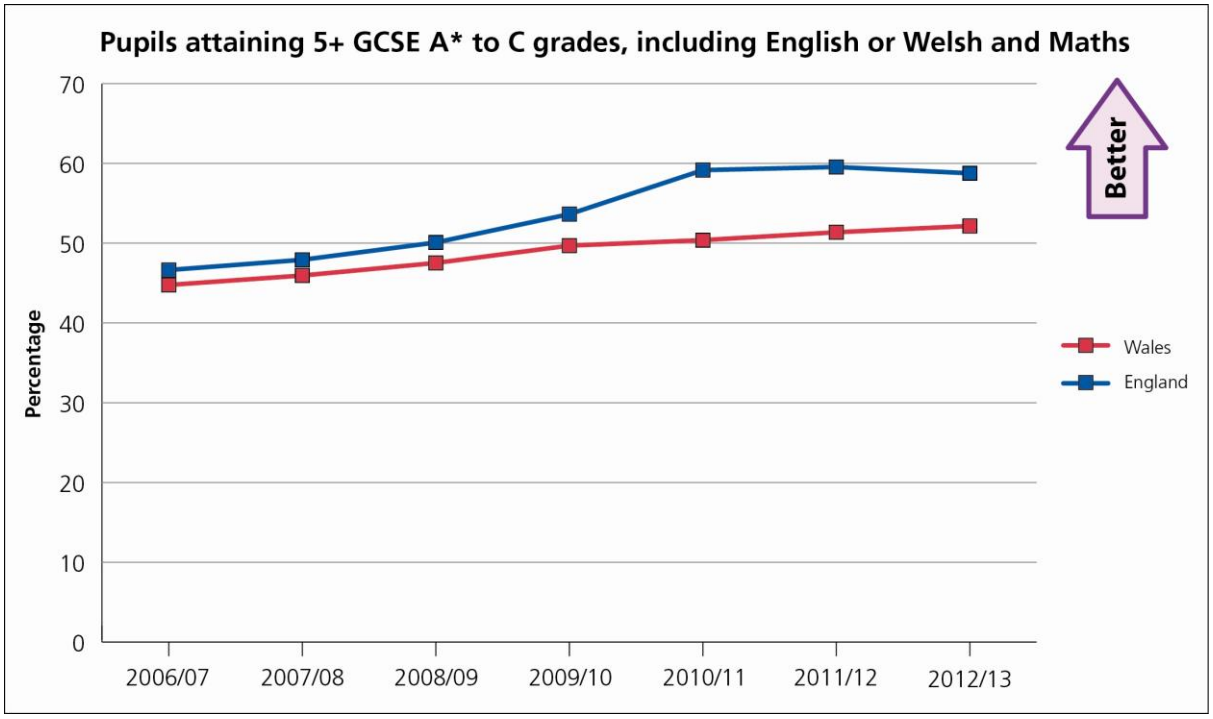


Figure 6b

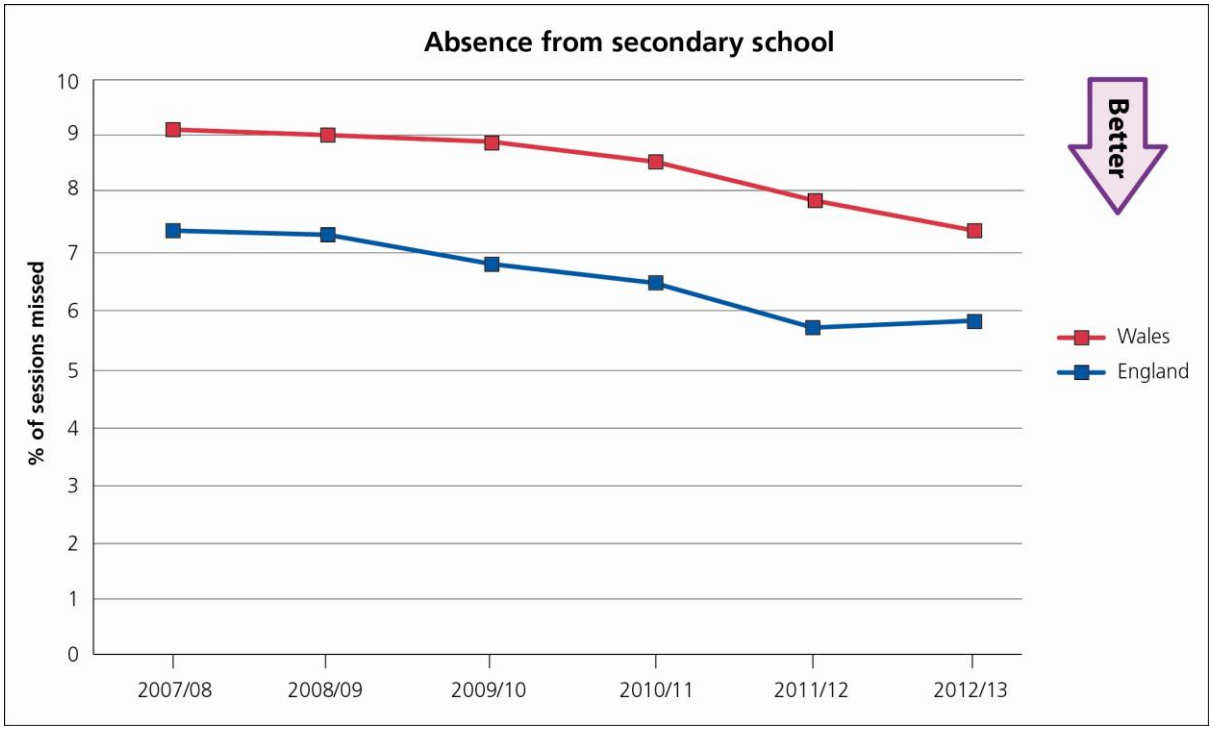


Figure 6c

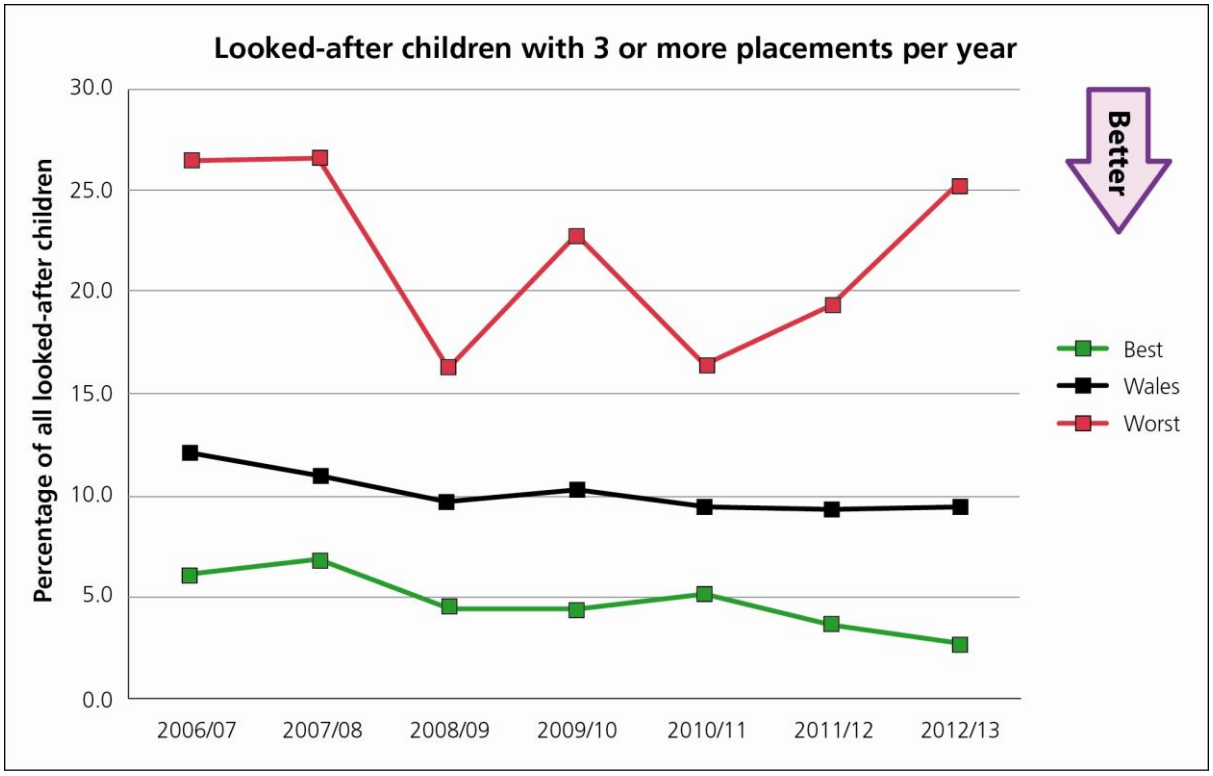


Figure 6d

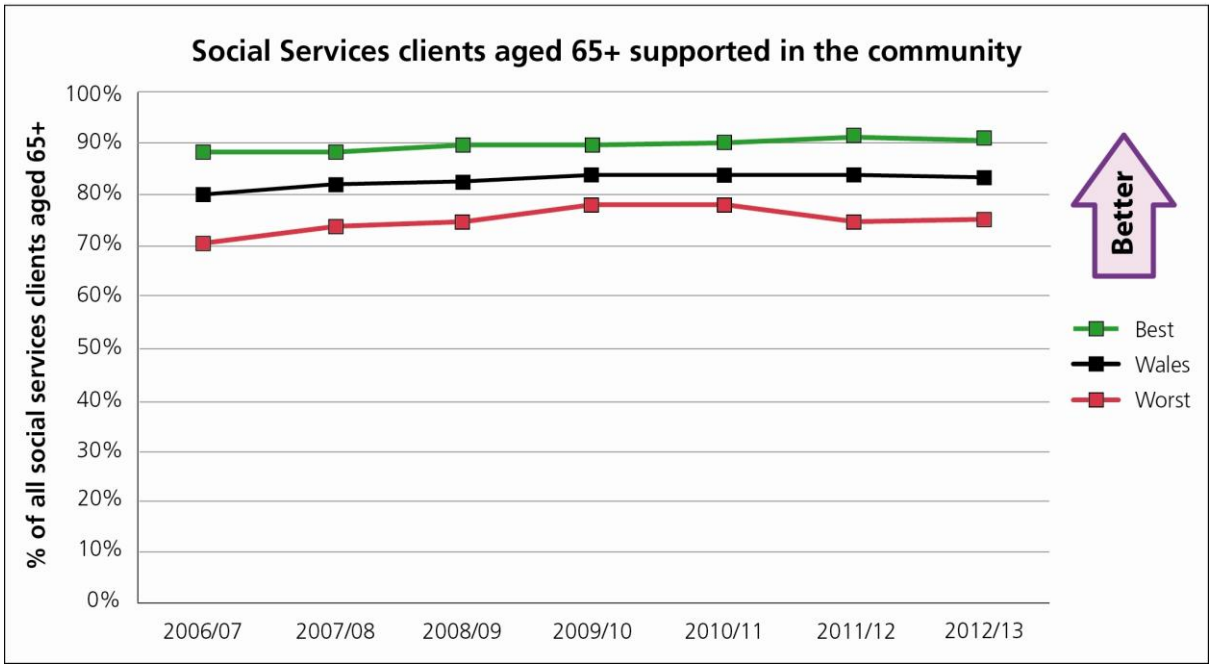


Figure 6e

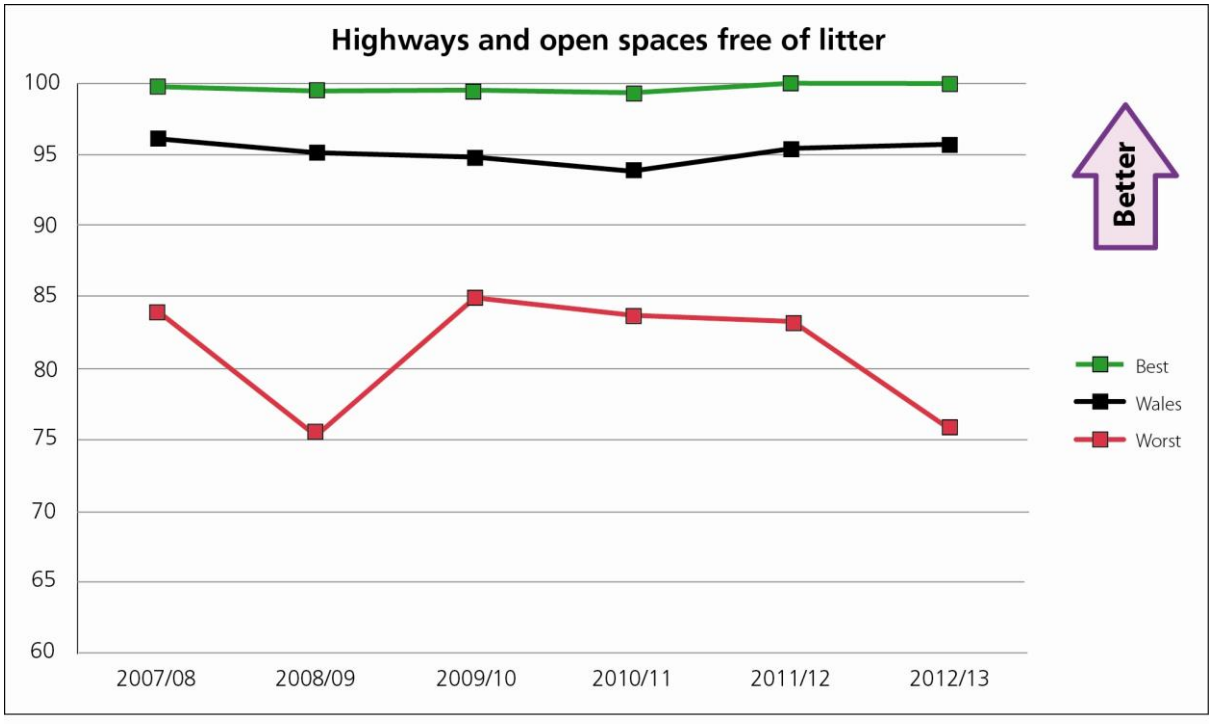
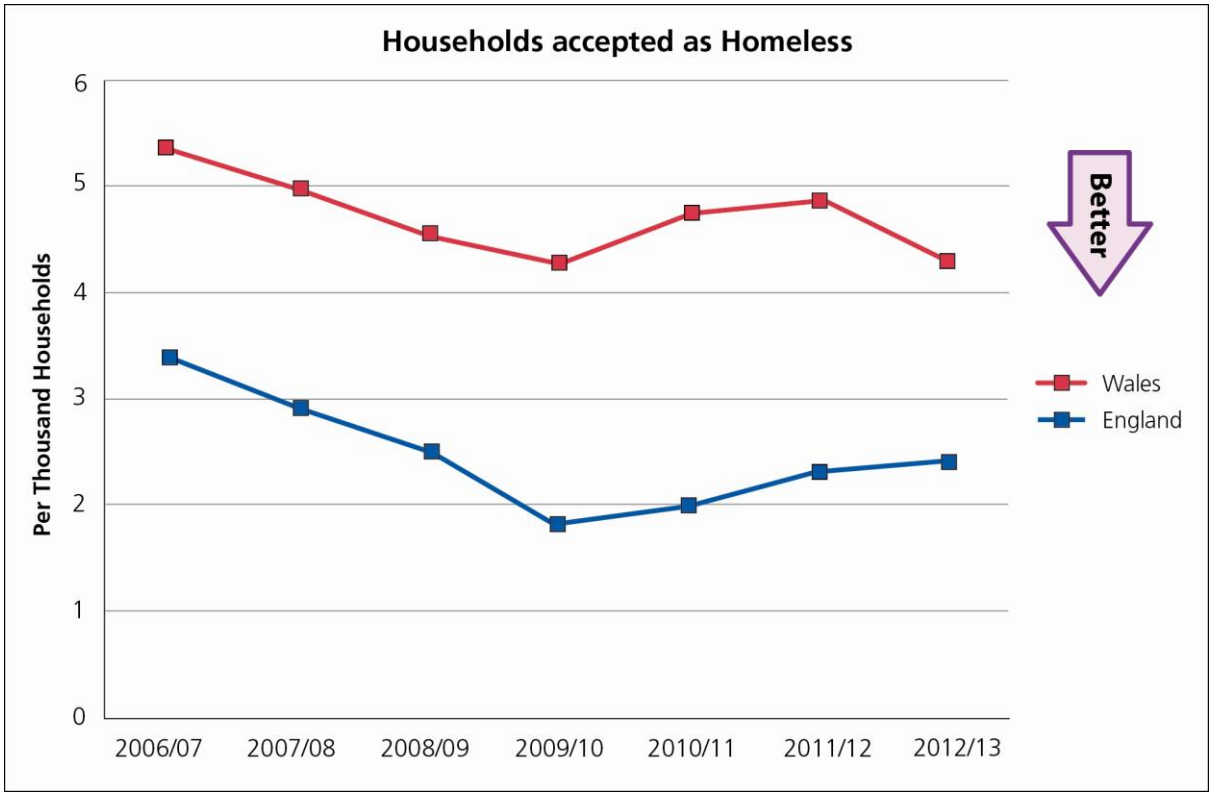


Figure 6f



Health services

6.13 The pattern in NHS performance is even more marked, with performance often short of target and/or falling. Cancer waiting times across Wales have continued to miss their targets, and the overall trend is clearly downwards ***(Fig. 6g)***. The same goes for waiting times in accident and emergency units ***(Fig. 6h)***, where in recent years no LHB except Powys (which only operates minor injuries units) has ever reached the national target of 95% waiting for less than four hours. Likewise, NHS performance against the target of 95% of patients being referred for treatment within 26 weeks is falling, with 6 out of 7 LHBs now below target for over a year ***(Fig. 6i)***. 6 out of 7 also have at least some patients waiting for over 36 weeks, despite a commitment to eliminate such cases altogether ***(Fig. 6j)***. And response times for emergency ambulances have been very often short of target in most areas of Wales ***(Fig. 6k)***.

Figure 6g

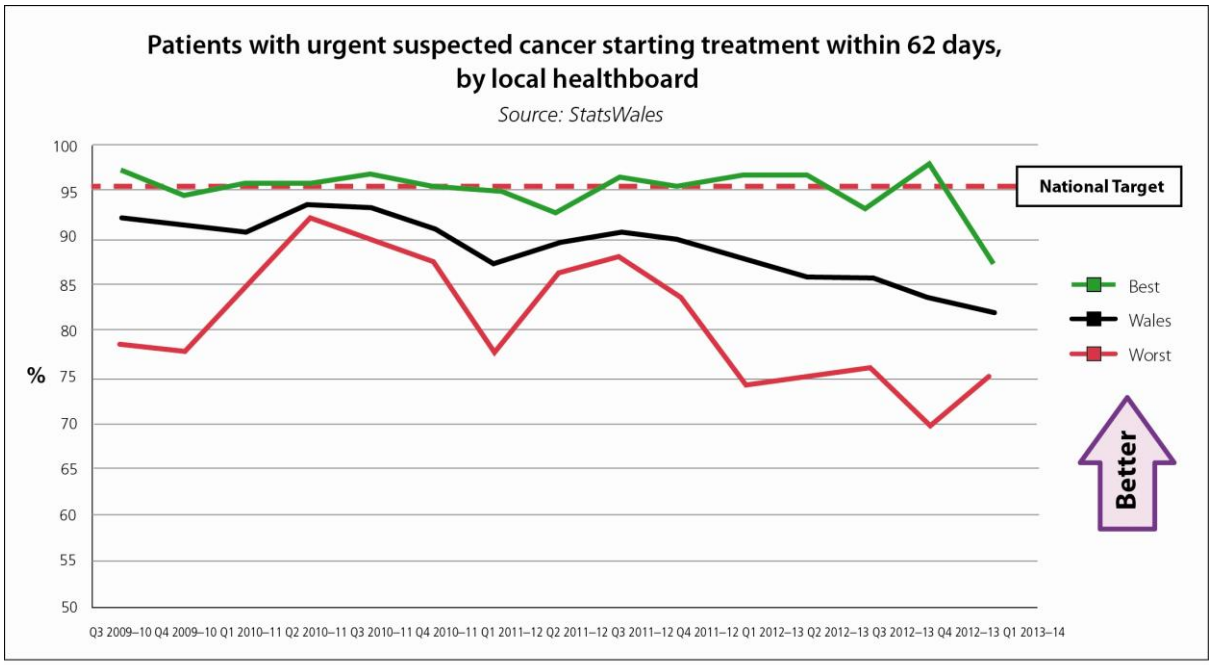


Figure 6h

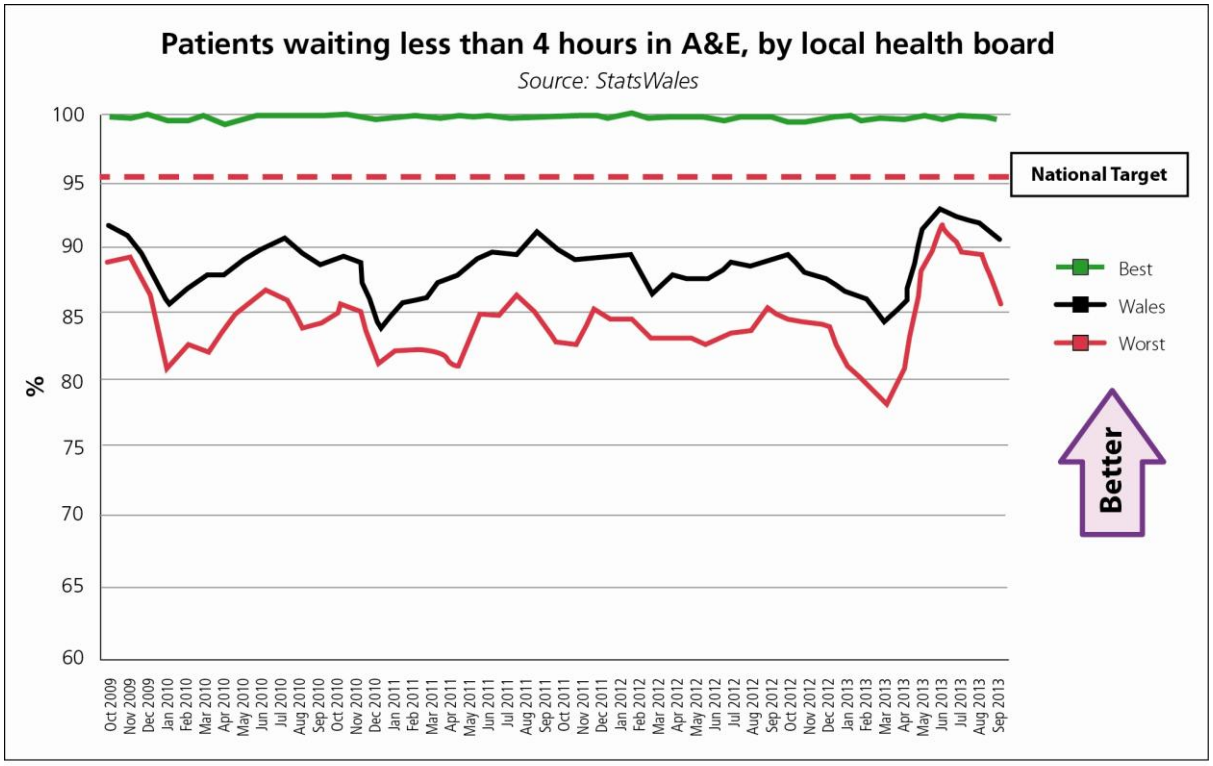


Figure 6i

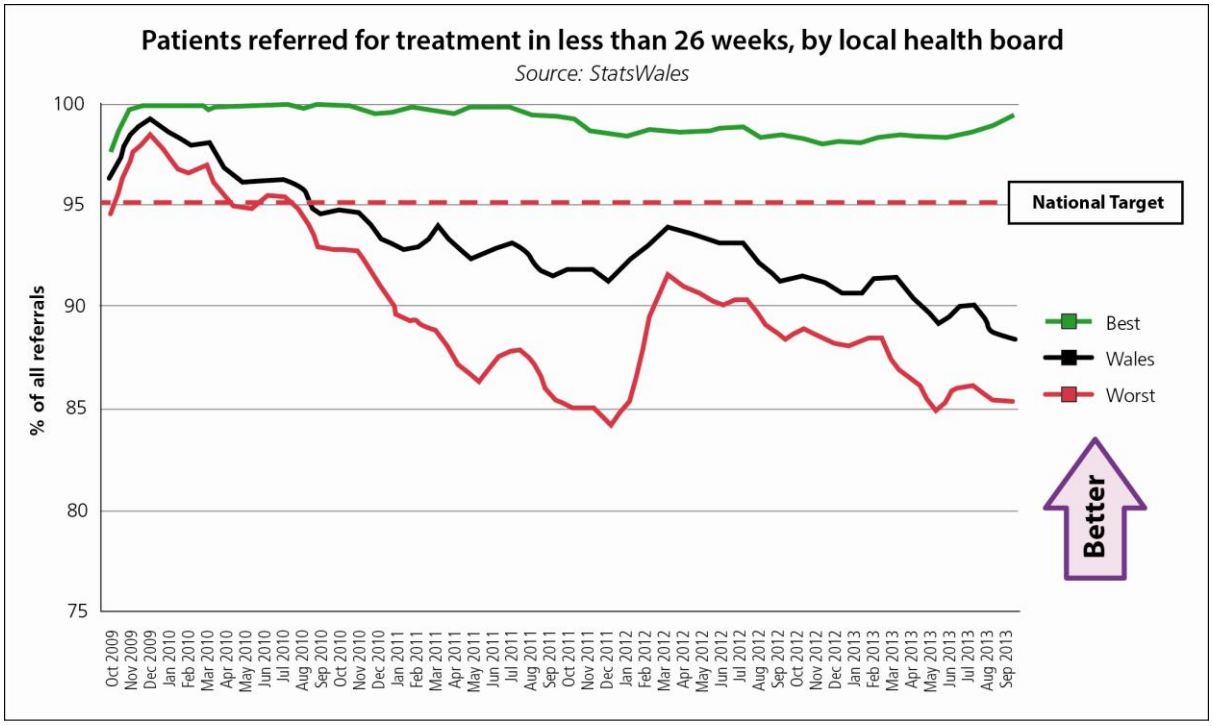


Figure 6j

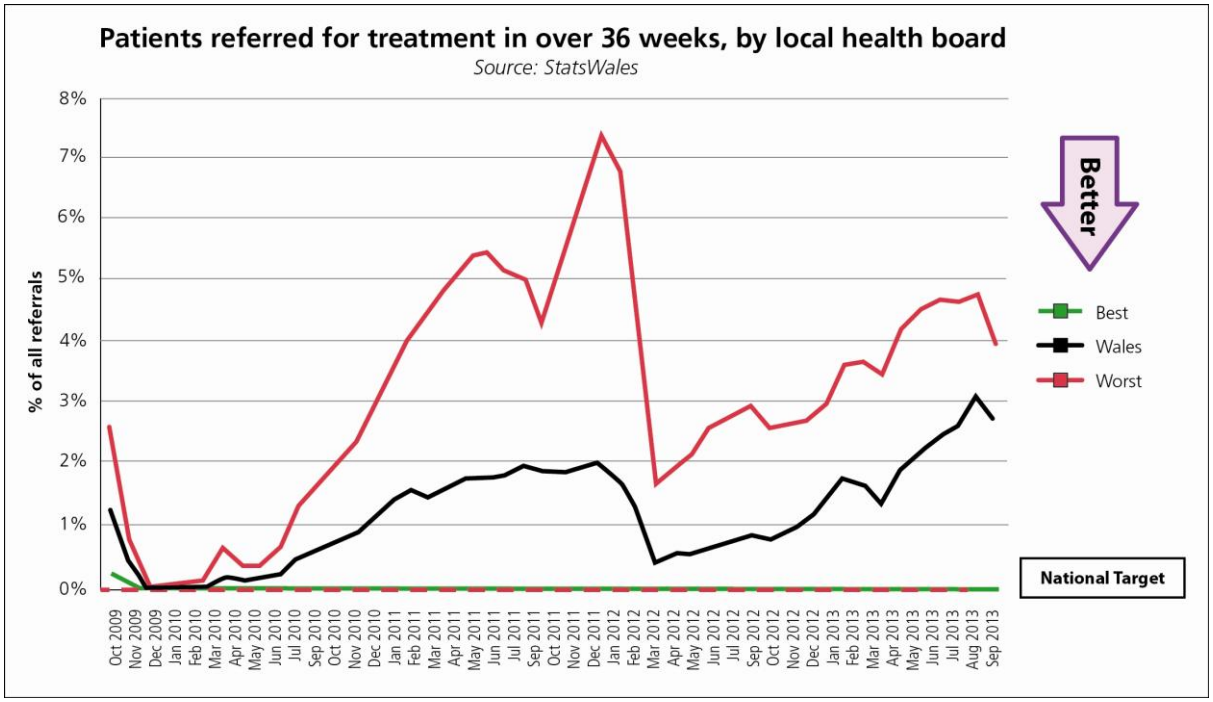
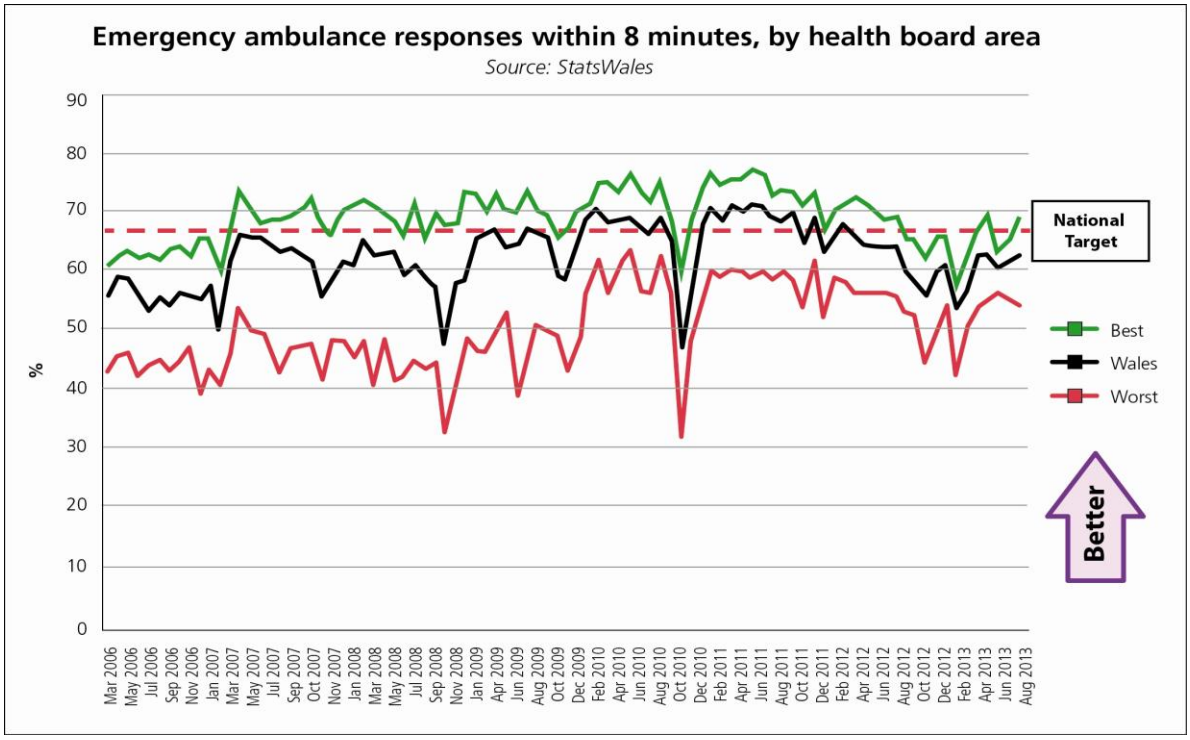


Figure 6k



6.14 It is easy to attribute this pattern of performance to the fundamental and conflicting pressures of growing demand and falling real resources to meet them, which we described in Chapter 1. That may be particularly true in the NHS, where financial pressures may have hit earlier and harder than elsewhere in the public sector. For instance, the Wales Audit Office recently reported that

The scale of ongoing financial challenges suggests that even with the planned actions [to address performance shortfalls] NHS bodies are likely to struggle to sustain current levels of service and performance.[160]

However, it is also striking that neither the relatively large scale of most of Wales's LHBs, nor the fact that they manage an integrated community, primary and secondary care system, appears to have prevented or mitigated these problems. That may be because the way in which the NHS manages performance tends to focus effort on meeting increasingly challenging throughput and efficiency targets rather than on improving long-term health and thus reducing service demand. We return to this issue below.

6.15 In local government, some of the financial pressures may so far have been less severe, but the breadth of local authorities' responsibilities creates a different challenge of choosing between many varied and competing service priorities, most of which a local authority is legally required to provide. As Carmarthenshire County Council commented to us,

[160] Wales Audit Office July 2013. *Health Finances 2012-13 and beyond*.

continual improvement in everything will simply not be possible in the coming period of even greater reductions in public funding…. …[D]ifficult choices are going to have to be made as to which services local government can continue to provide and at what level and standard.

6.16 That, though, explains the problem; it does not justify or solve it. Financial pressures will become more severe, and demand for services will continue to grow. It does not matter exactly where that pressure bites and when; these data are a clear demonstration of what will continue to happen across the public sector. It is clear from the data that many of our major services are already struggling to deliver on timeliness of service – not through incompetence but through a simple lack of capacity to meet demand. That is plainly unsustainable. It underlines the need for the radical programme of long-term reform we propose in our report; but it also highlights the short-term critical pressure on many services, and the need for urgent action.

Disparities and variations

6.17 So far we have largely considered performance at the all-Wales level, and found a mixture of slow improvement in some areas, but stagnation and decline in many others. The position is no better when considering the varying levels of performance within Wales. There are wide and often inexplicable variations in the standard of the same service provided by different organisations – creating a so-called 'postcode lottery' of service provision.

6.18 In local government services, for instance, the gap between the best and the worst performers is noticeably wide in terms of delayed transfers of care ***(Fig.6l)***, the proportion of young people leaving school without a qualification ***(Fig.6m)***, or the completion of disabled facilities grants[161] ***(Fig.6n)***. In these cases the gap has narrowed in recent years, but the difference is still marked.

6.19 The position as regards delayed transfers of care is particularly concerning. As we explain in the box overleaf, this is a critical measure, both of high-quality integrated care for older people and of the ability of the NHS and local authorities to work together to provide it. Some of the extremely high levels of delay in some local authorities previous years have been eliminated, meaning that the overall rate of delay has declined. But the continuing disparity between the standard of service in different parts of Wales is both striking and unacceptable.

[161] A disabled facilities grant is a means of funding adaptations to the home of a disabled person so that s/he can continue to live in it. It is normally used for major works like widening doorways or installing accessible bathrooms. The data measure the total time taken from first contact with the local authority to satisfactory completion of all building work.

Delayed transfers of care

A delayed transfer of care (DTOC) arises when a patient no longer needs inpatient hospital treatment, but cannot leave the hospital. There are several reasons why this might happen, but the most significant is where a patient is prevented from leaving hospital because there is no appropriate social care available for him or her, either in their own home or in a residential setting. Avoiding these "delayed transfers of care for social care reasons" requires close working between the NHS and local authority social services departments to ensure that appropriate care is available when each patient is ready to be discharged. Older people, who often have continuing health and social care needs, are particularly likely to be affected by DTOC.

Each delayed transfer of care has several serious consequences. Firstly, it means that a patient is confined to hospital when s/he could be at home. Second, it means that a hospital bed is taken up by someone who does not need it, meaning it is unavailable to other waiting patients. Third, it incurs significant cost to the NHS for no benefit whatsoever.

Reducing DTOC has thus been a major priority in recent years. And as ***fig. 6l*** shows, there has been at least some improvement at an all-Wales level. However, much of this is attributable to reductions in extremely high levels of DTOC in only a handful of local authorities. The underlying position is much more static.

Furthermore, the variations in performance remain very wide. Some local authorities perform consistently very well in this area: Conwy County Borough Council, for instance, has returned the lowest rate of DTOC in Wales for many years. Its rate is typically under 0.5 per thousand elderly population, which equates to an actual number of delays in single figures. In 2012-13, for instance, there were only three actual delays in Conwy, which equates to a rate of 0.21 per thousand. This is despite Conwy having one of the highest proportions of older people in Wales, which increases the size of the client group who need both health and social care.

Some other local authorities show much higher rates. In 2012-13 Newport had 11.84 delays per thousand elderly population, equating to 134 actual delays – or 131 more than Conwy despite a much lower elderly population. This means that patients living in Newport were proportionately over fifty times more likely to be delayed in hospital than those in Conwy. Furthermore, such patients were also more than twice as likely to be delayed as those living in Blaenau Gwent, more than three times as likely as those living in Torfaen and more than six times as likely as those in Monmouthshire – despite all being treated by the same local health board and quite possibly in the same hospital.

Figure 6l

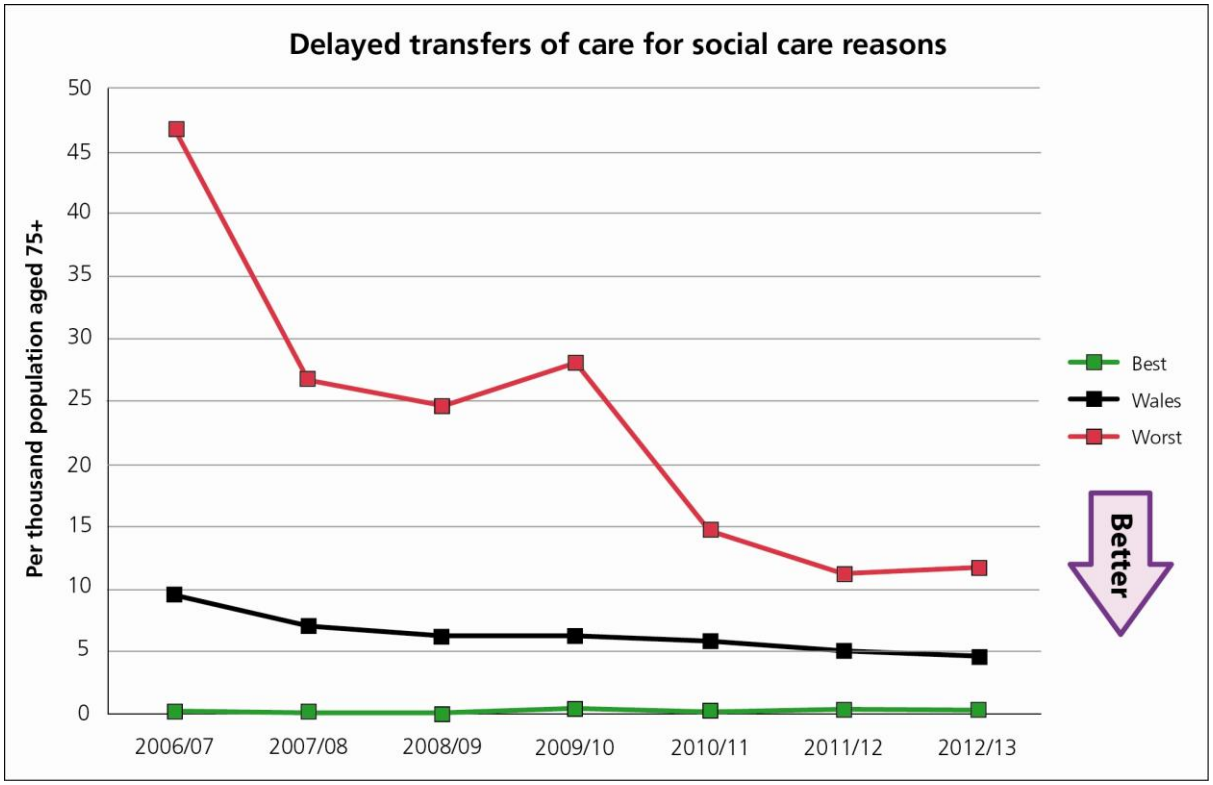


Figure 6m

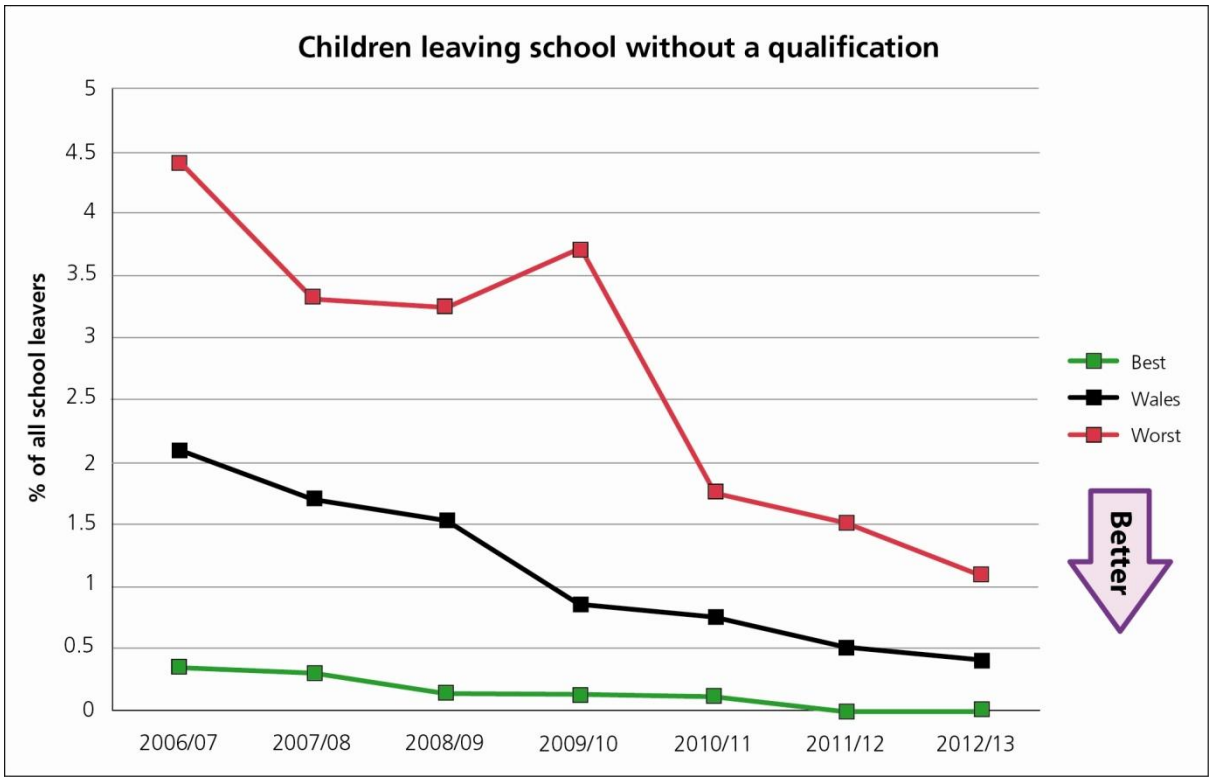
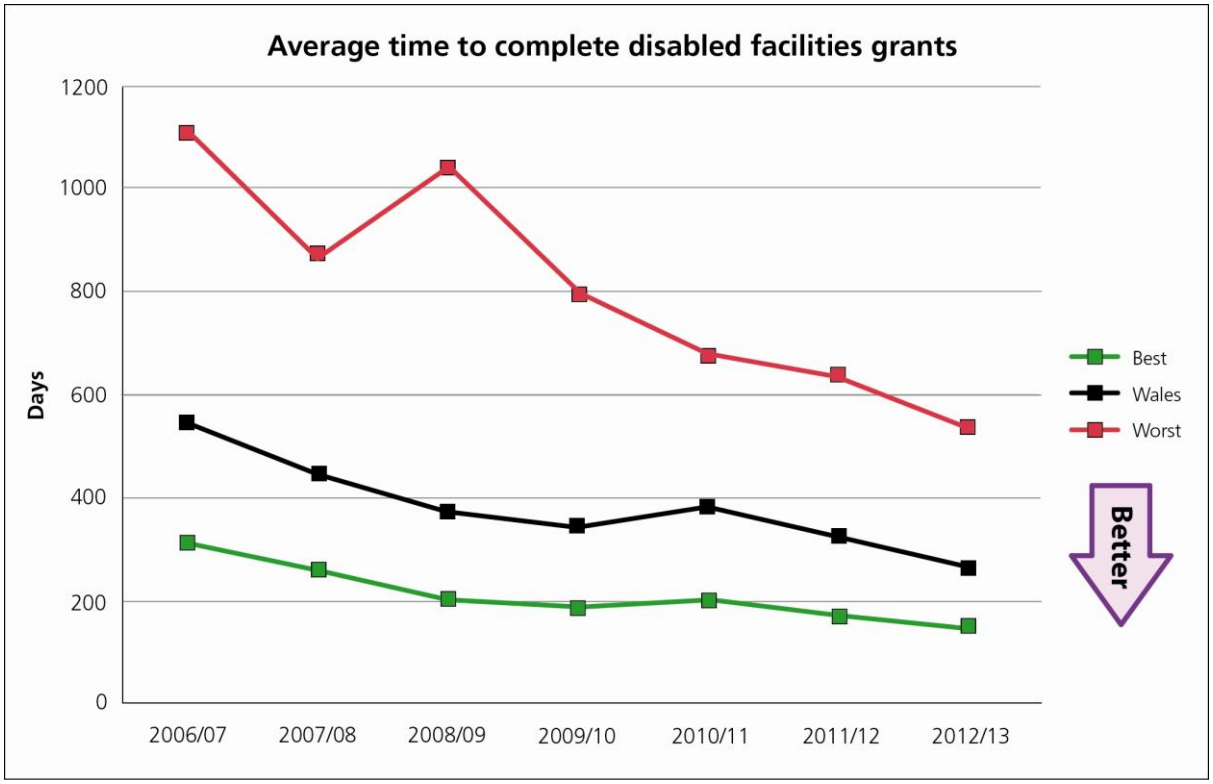


Figure 6n



6.20 However, there is no evidence for the gap closing in the cases of overall school attainment at Key Stage 4 ***(Fig.6o),*** supporting social services clients in the community ***(Fig.6d**, above)*, preventing homelessness ***(Fig.6p)***, the cleanliness of roads and open spaces ***(Fig.6e, above)*** and certainly not the provision of affordable housing, where the gap has instead widened markedly ***(Fig.6q)***. The disparity in prevention of homelessness is particularly stark. Last year, 186 households in Denbighshire were identified as being at risk of becoming homeless. The Council prevented that from happening in all 186 cases. By contrast, 416 households in Blaenau Gwent were at risk, and action by the Council prevented homelessness in only 1.2% (or 5) cases. That does not mean that the remaining 411 households all became homeless – but it does mean that they were far less well served by their council than those in Denbighshire. While there are some doubts about the detailed and consistent accuracy of these data,[162] they cannot account for a disparity on a scale which is plainly not acceptable.

[162] Wales Audit Office September 2013. *Local Improvement Planning and Reporting in Wales*. Appendix 1.

Figure 6o

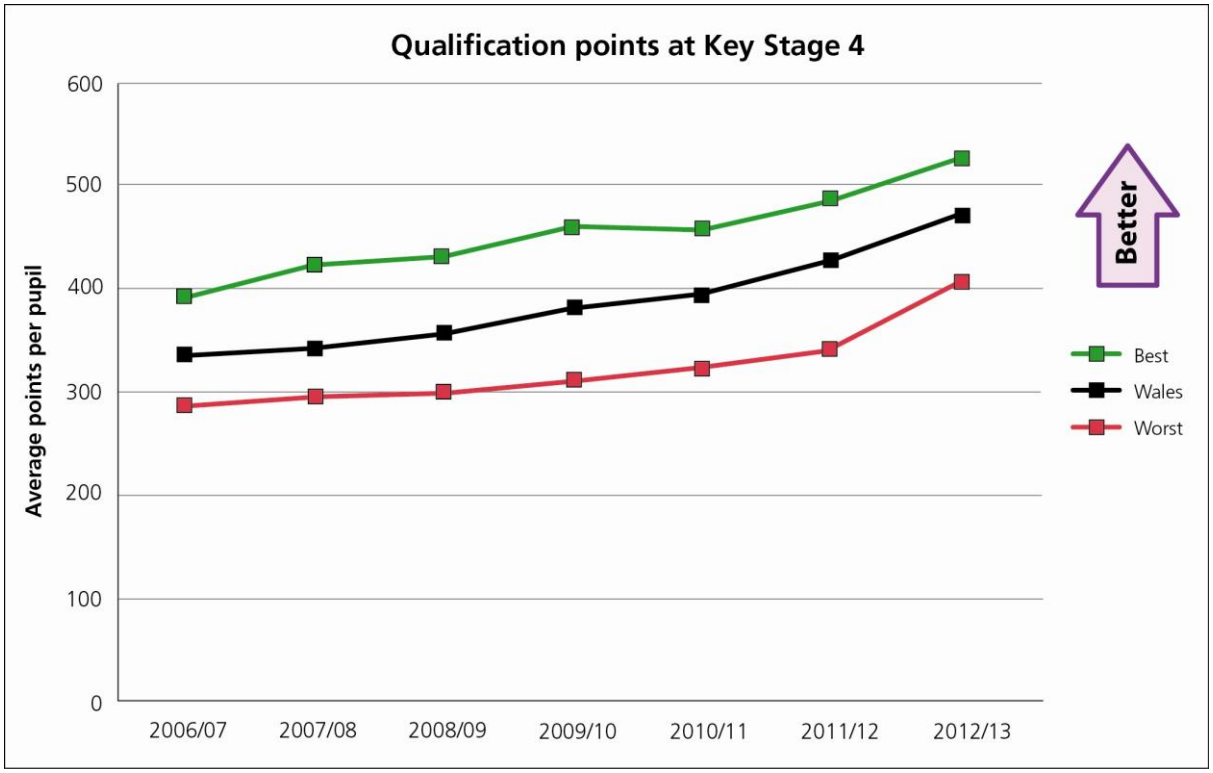


Figure 6p

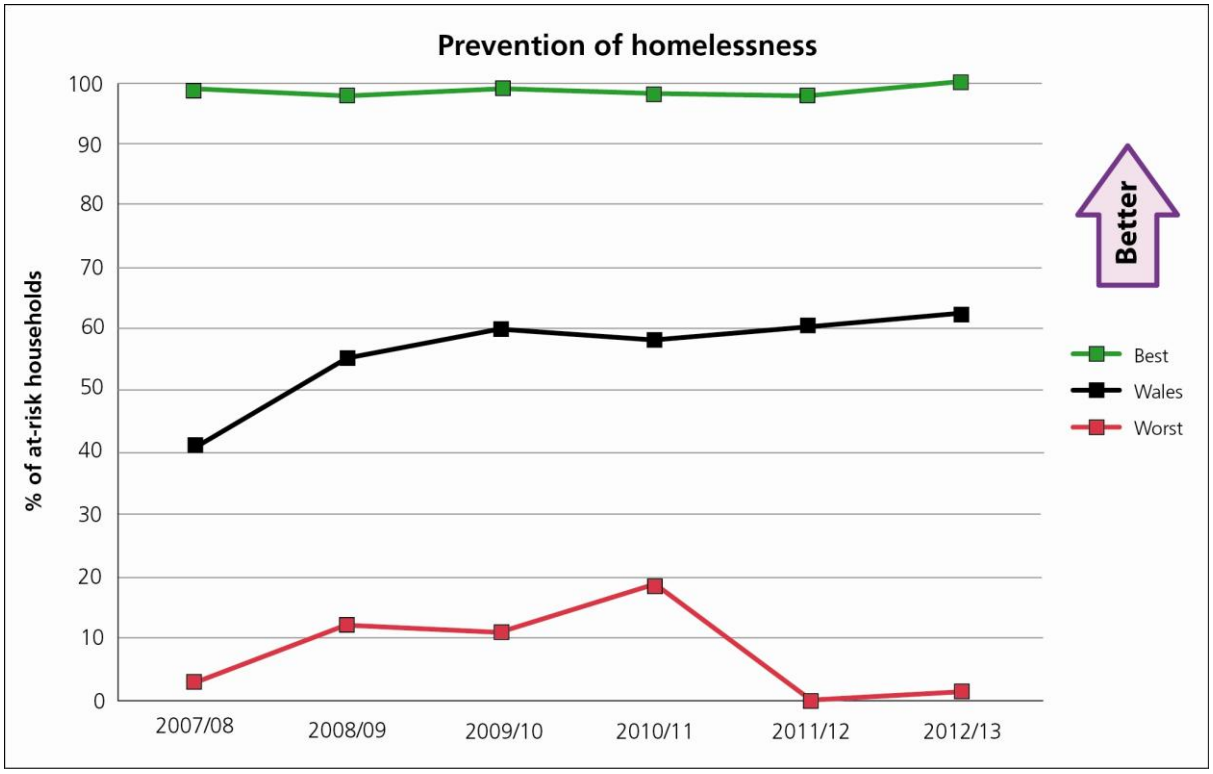
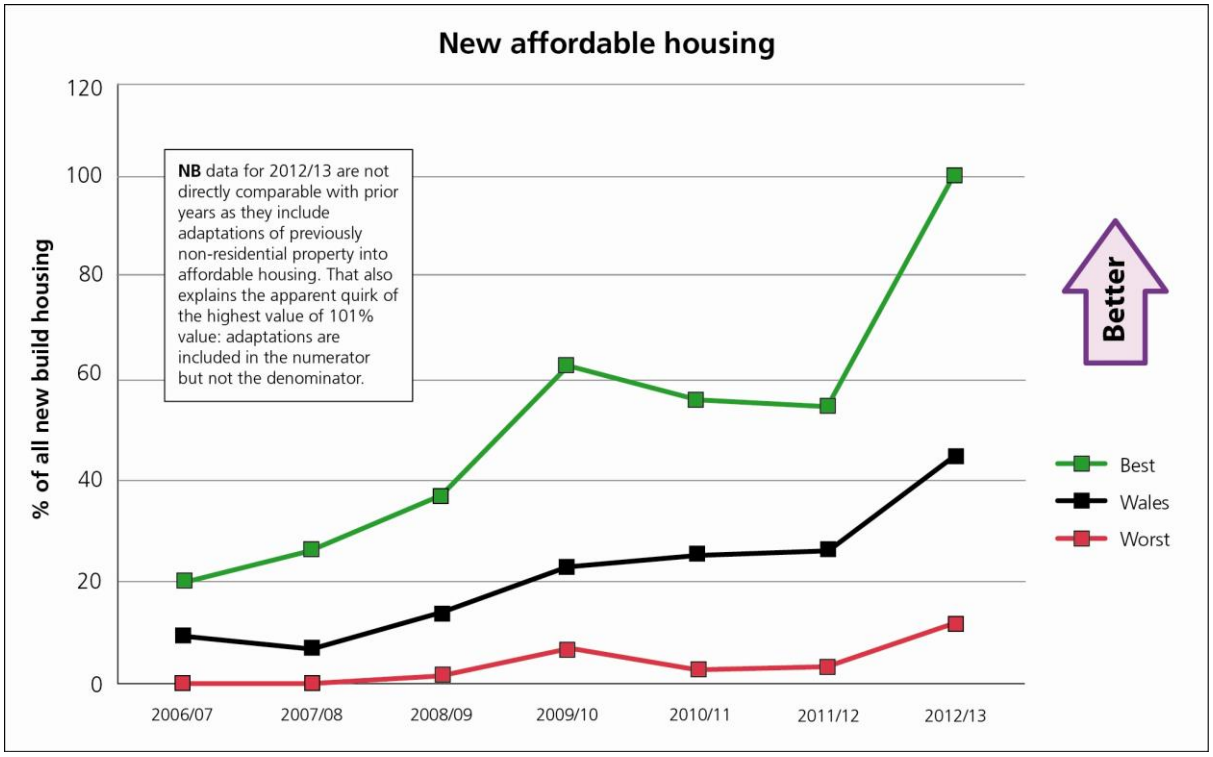


Figure 6q



6.21 NHS performance shows similar disparities, for instance in terms of deaths from stroke ***(fig.6r)*** and heart attack ***(fig.6s)***; waiting times for cancer treatment ***(fig. 6g,*** *above)*; and rates of hospital infection by MRSA ***(fig.6t)*** and *Clostridium difficile* ***(fig.6u)***. The scale of the difference may not be as great as in the local government services above – but that is normal when comparing only 6 or 7 health boards[163] rather than 22 local authorities. Furthermore, the consequences of those differences here may literally be a matter of life and death.

[163] Powys Teaching Health Board does not operate any major hospitals, but commissions care from neighbouring health bodies in Wales and England. Hospital-related performance data (eg on mortality and infection rates) therefore do not exist for Powys.

Figure 6r

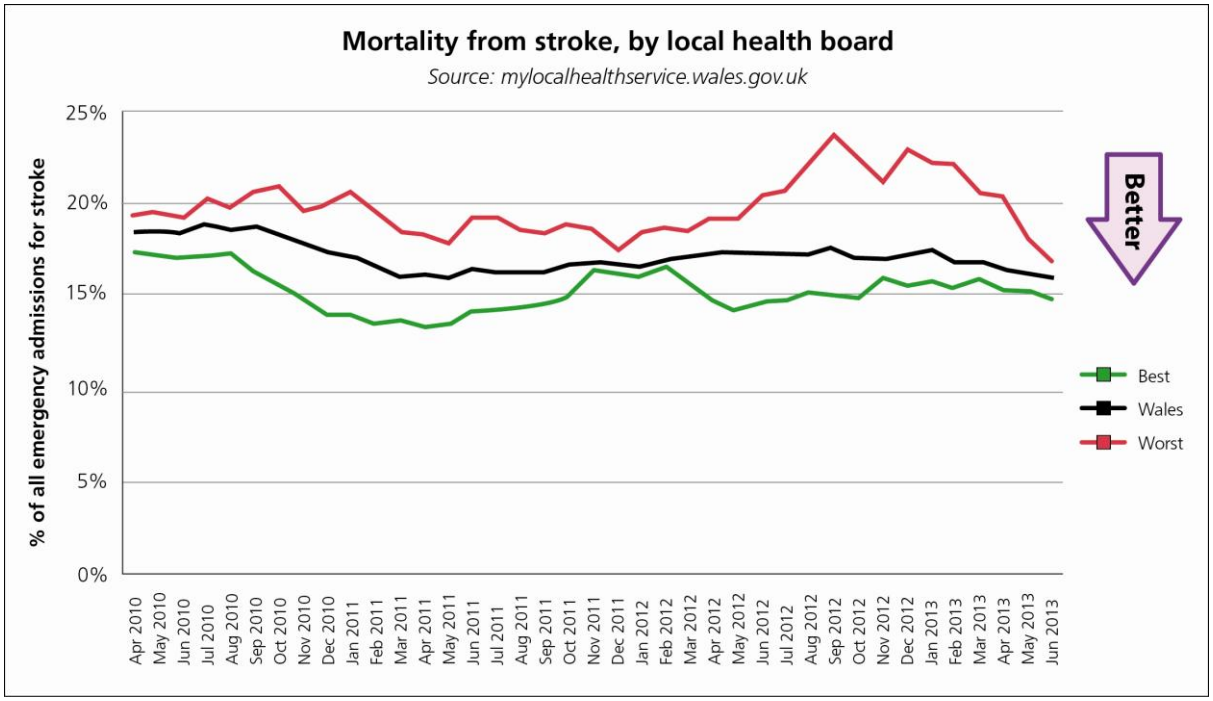


Figure 6s

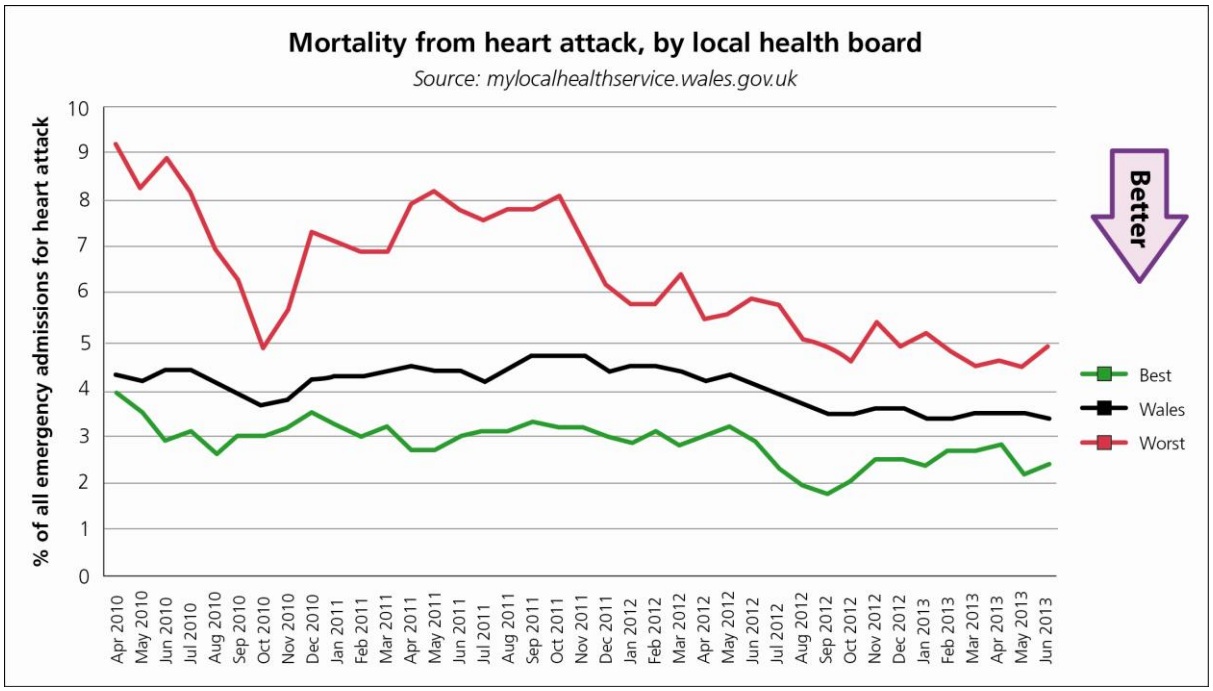


Figure 6t

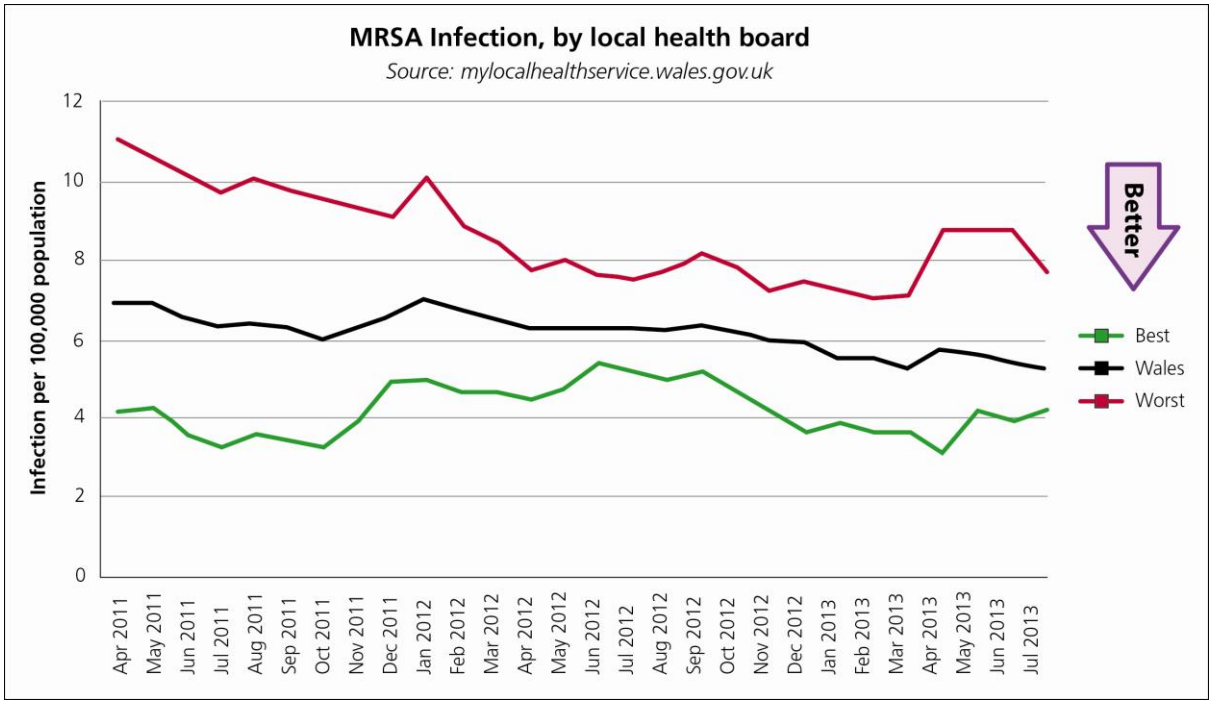
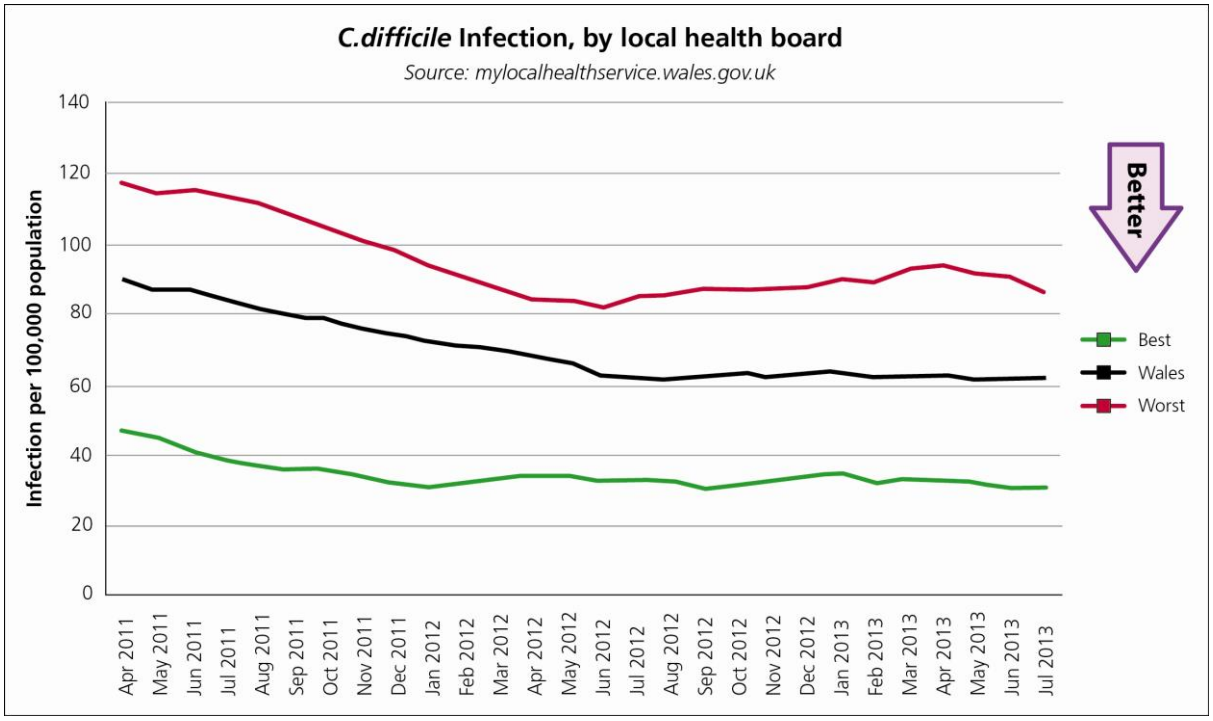


Figure 6u



6.22 Some variation in performance between organisations is normal. It may reflect different characteristics of the area or population served, and/or it may reflect different priorities which different organisations legitimately have. Equally, organisations might argue that the differences between their performance can be explained by different interpretations of data definitions or other issues with data

quality. While there is some evidence of this,[164] we do not believe it is an acceptable or sufficient explanation. These data represent the performance of services that organisations are required to provide; and it is incumbent on those organisations to ensure the accuracy and relevance of the data. If they do not, that reflects the wider problems with public-sector performance management that we explore below and, in particular, with the lack of emphasis that many organisations appear to give it.

6.23 There are certainly some reasonable explanations for variation in service performance. For example, educational attainment might be affected by levels of deprivation, the prevalence of additional learning needs or the proportion of children whose first language is not English or Welsh. Mortality rates in the NHS may also be skewed by hospitals in one area specialising in treatment for particular conditions and dealing with more serious cases from other areas.

6.24 However, variations in performance are just as significant in measures which are free from such influences. As the Care and Social Services Inspectorate for Wales put it in evidence to us:

The evidence of our work in local authorities is of stark variability in performance of social services across Wales that cannot be explained simply by the different demographic and economic challenges that are faced by councils.

There is, for instance, no obvious explanation for the differences in delayed transfers of care or homelessness prevention which we described above. Equally, there is no good reason why, on the most recent data:

- Newport Council takes on average over three times (and over a year) longer to complete a disabled facilities grant scheme than Conwy;
- Over a quarter of looked-after children in Ceredigion had three or more placements in the past year, compared with under 3% in Monmouthshire;
- 100% of surveyed roads and public spaces in Denbighshire were free of significant litter, but only 76% in Flintshire were;
- Over 93% of patients with urgent suspected cancer began treatment within 62 days in the Aneurin Bevan LHB, but only 76% did so in the Abertawe Bro Morgannwg LHB;
- Patients in hospital in the Betsi Cadwaladr UHB were more than twice as likely to contract a *C. difficile* infection as those in Cwm Taf; and almost twice as likely to contract an MRSA infection than those in Hywel Dda.

6.25 These and similar disparities unavoidably mean that some citizens and communities are receiving markedly and unjustifiably worse service simply because of where they live. Unlike the trends in all-Wales performance, broader financial and demographic

[164] For instance, the WAO recently reported on data inconsistencies for two of the indicators we use here: homelessness prevention and disabled facilities grants. WAO, *ibid*, Appendix 1.

pressures cannot explain that. These pressures affect organisations more or less equally, and certainly do not differ enough to account for performance variations on this scale. We are bound to conclude that such differences are due, at least in part, to some of the systemic and organisational weaknesses we have described in earlier chapters, whether of scale, complexity, governance or leadership. For instance, problems of scale limit the expertise that organisations have to provide high-quality specialist services; the complexity of relationships within the public sector limits the space available to identify performance weaknesses; and weak governance and leadership diminish organisations' ability to address under-performance effectively.

Learning from success

6.26 So far we have described levels of performance that are poor and patchy, whether in terms of trends over time or standards between organisations. We do not wish to paint an unduly bleak picture. As much of our evidence has shown, at least some organisations provide most services well – although they are too few and overall performance is too inconsistent. There are some initiatives, such as the 1000 Lives Plus programme led by Public Health Wales,[165] which appear to have succeeded in driving improvement and securing outcomes – but they are too sporadic and small-scale. The generally negative assessment of performance remains.

6.27 We do not find that surprising. The performance levels we have seen are, in our view, a product both of the underlying financial and demographic pressures and of the weaknesses which we describe elsewhere in our report. Addressing those weaknesses, and creating capacity to redefine public services, is the only sustainable way to cope with those pressures.

6.28 That means there is no sense in simply exhorting public service providers to 'try harder'. The problem is not of their making, and the solutions are not solely in their hands. Despite well-intentioned efforts in the form of analyses, reports and policies aimed at securing better performance, overall improvement has been poor. Organisations are not being held to account quickly or effectively enough for poor performance; indeed, the systems for structuring, governing and leading the public sector seem perfectly designed to produce the results we have seen. Instead of allocating blame for failure, we should be learning from success. There are two marked exceptions to the general picture of poor performance in Wales, which we believe deserve wider application.

[165] The programme aims to prevent 1,000 avoidable deaths per year through joint working between the NHS and other organisations. See http://www.1000livesplus.wales.nhs.uk/home

Preventing, not responding

6.29 Firstly, the performance of Wales's three fire services has been consistently strong. The incidence of fires has fallen across Wales and England in recent years ***(fig.6v)***, although that is probably due to wider contextual factors such as a reduced incidence of smoking and the use of fire-resistant building and furnishing materials. In Wales, though, fire casualties have also reduced markedly, and consistently more than in England or Scotland ***(fig.6w)***: if a fire does break out, people are significantly less likely to die or be injured here. Unlike the overall incidence of fire, that cannot be attributed just to contextual factors which affect all of the home nations more or less equally. Instead, it appears to be because of the extensive efforts the three services have made to educate people about fire safety and the basic steps they should take in the event of fire, as well as to respond swiftly and effectively themselves. As the Mid and West Wales Fire Service said in its evidence to us,

The service works as hard at preventing emergencies from occurring as it does at dealing with them. This refocusing has delivered spectacular results in the reduction of deaths, injuries and emergencies…[through] involving and informing the community and working in partnership with others to develop the safer communities concept.

It was clear that all three services were proud of their achievements. While we have concerns about the governance of the fire services which we explained in Chapter 2, their performance is unquestionably strong.

Figure 6v

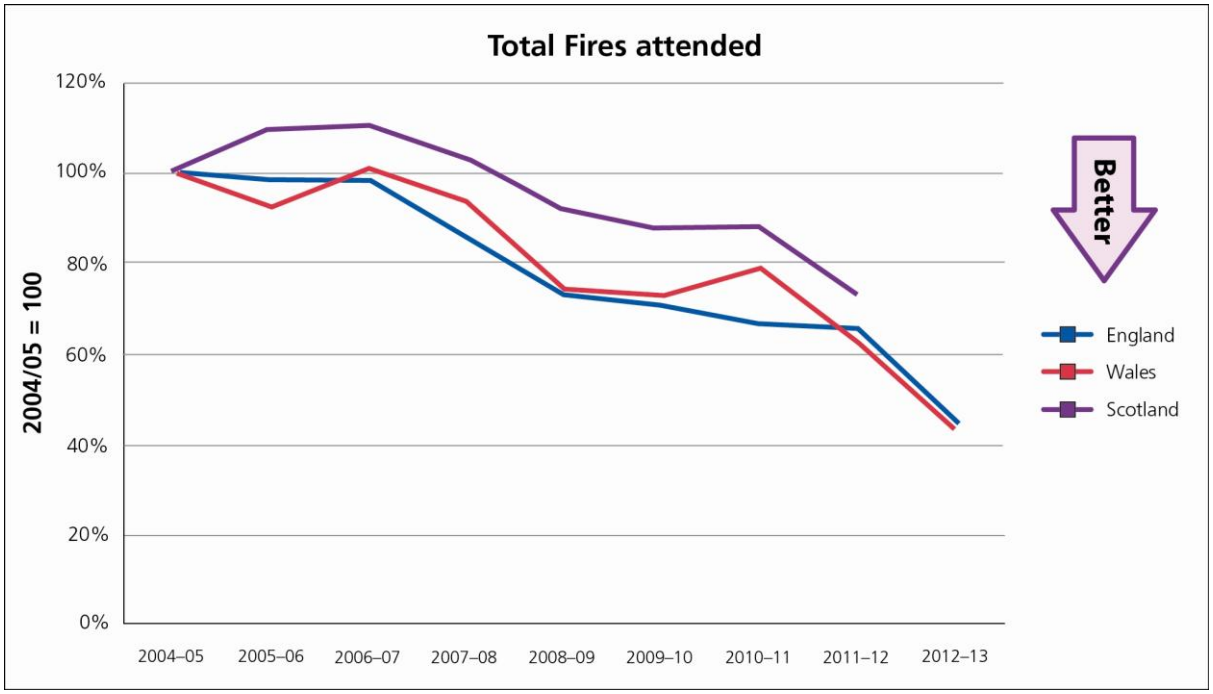
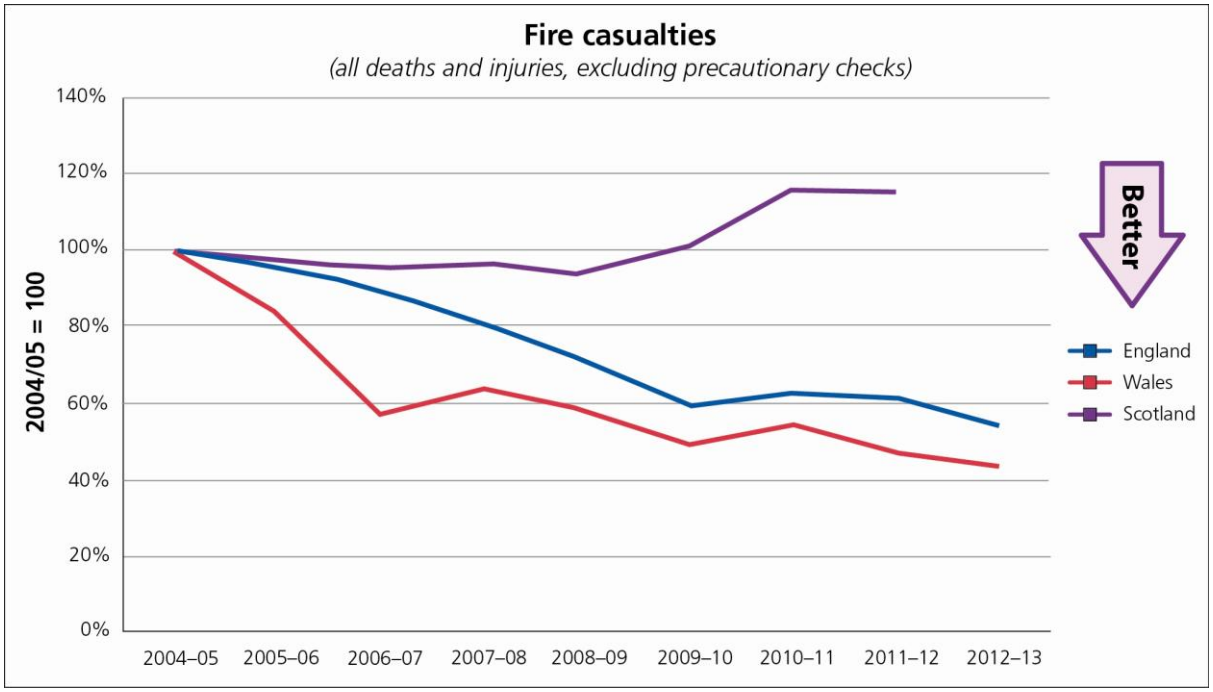


Figure 6w



6.30 This success has a much wider significance. It underlines the importance of public services focusing on prevention. By promoting fire safety and fire awareness, and engaging citizens in contributing to their own and their communities' safety, the services have reduced the need for responsive firefighting services. This has two major benefits. Firstly, it is more economical, as the demand for high-cost responsive services falls. Second, it is more effective, because capacity is freed up in responsive services which can be better focused and targeted. This means better delivery of the ultimate outcome – public safety.

6.31 As we explain throughout our report, it will be critical for Wales to make this kind of shift from public services responding to critical situations to preventing them from arising, and engaging with citizens co-productively to that end. Doing so will require all of the changes we propose in this report, such as reduced complexity, more robust governance and stronger leadership. As the Chartered Institute of Public Finance and Accountancy stated in its evidence, the Welsh public sector needs
to reposition the balance of public spend from addressing the symptoms of societal problems to a point where public money is directed to positive outcomes and to prevention of future issues.
That was echoed by Flintshire County Council, who argued that
Greater investment is needed in preventative solutions, with individual and citizen responsibility… as part of the outcomes.

6.32 In the context of this chapter, this means that the performance measures and targets that organisations use must reflect that emphasis. Again, the fire service is unusual in

having made that shift. The three services collect data on responsive measures like the time taken to reach a fire, but the three chief officers were clear in their oral evidence that they do not see it as valuable for managing performance and do not use it for those purposes. Instead, they focus on outcomes by using measures that reflect their success in reducing and preventing fire risks, such as the overall casualty rate and more detailed measures such as the proportion of fires contained in the room of origin. This simultaneously measures the risk of casualties and damage, the ability of citizens to take appropriate action on discovering a fire, and the effectiveness of the service's response.

6.33 By contrast, many of the measures we examined above, particularly in the NHS, are concerned with responsive services and with their throughput or the time taken to provide them. While it is clearly important to provide such services promptly and effectively and managers need to know such data in managing their service, focusing performance measurement on such matters, and holding organisations to account for progress, inhibits them from shifting their focus towards co-productive prevention in the way that Wales's fire services have done. **We therefore recommend that performance measures across the public sector place a much greater emphasis on the outcome effectiveness of preventative services, and much less on the procedural efficiency of responsive services**. This should form part of the wider overhaul of performance frameworks, which we discuss later in this chapter.

Clarity and coherence of purpose

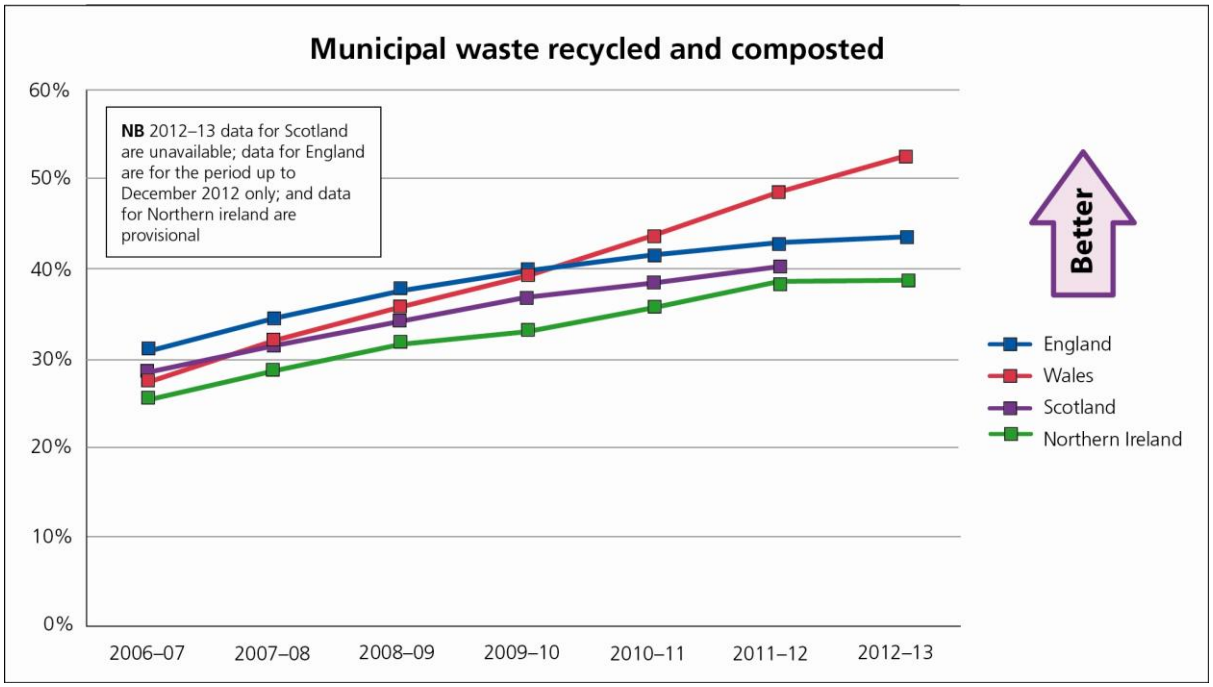
6.34 The second notable success for Wales has been in the area of waste recycling. Diverting waste from landfill is a critical challenge across the developed world. Attempts to increase recycling[166] are widespread across the UK and beyond for both environmental and economic reasons. Recycling significantly reduces carbon emissions; generates revenue from the sale of recyclable waste; and can greatly benefit the wider economy, and manufacturing businesses in particular, by substituting cheap recycled products for increasingly scarce and expensive new raw materials.

6.35 Local authorities are responsible for collecting and processing all domestic waste. In Wales, their progress in recycling has been impressive, as ***Fig. 6x*** shows. The overall rate of recycling has roughly doubled in the space of seven years. From a poor position relative to the rest of the UK, recycling in Wales is now ahead of the other home nations by a wide and growing margin. Up-to-date figures for other countries are

[166]The emphasis is also on other sustainable ways of processing waste such as composting (for food and other organic wastes) and reuse (ie using a waste product for its original purpose without further processing). In this report, 'recycling' is used as a shorthand for all of these.

unavailable; but Wales was well ahead of the EU average of 35% recycling in 2010,[167] and the impressive performance since then means that is almost certainly still the case.

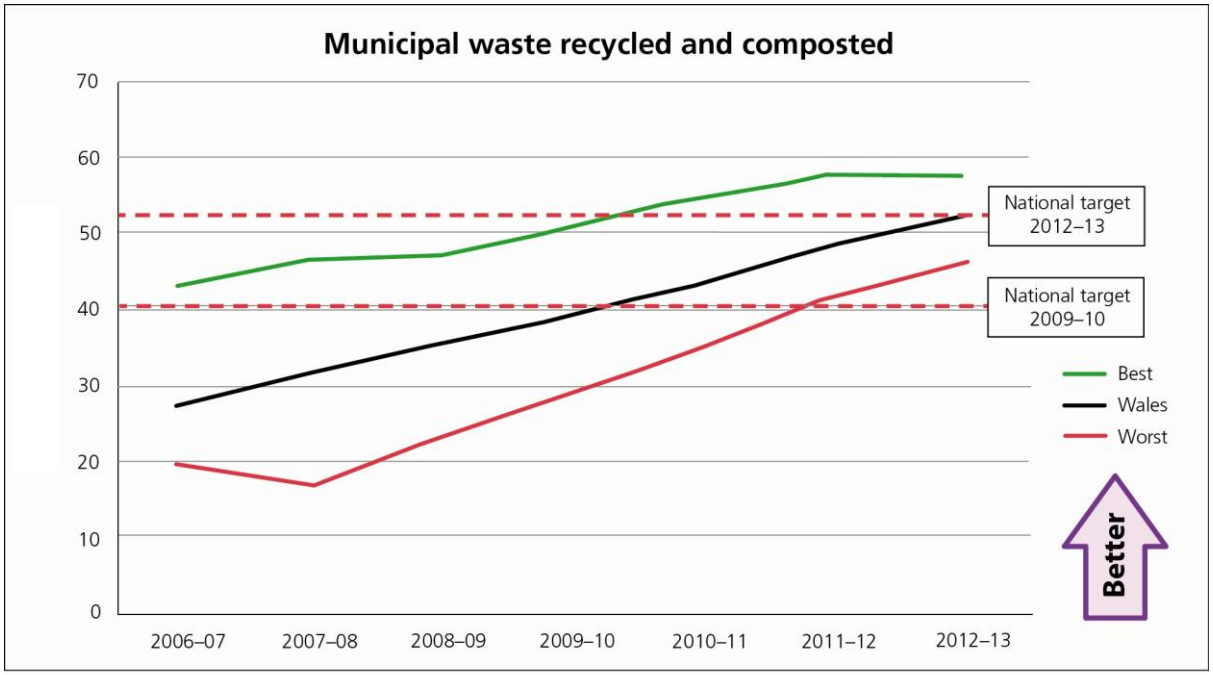
Figure 6x



6.36 This highly impressive performance is due to a combination of initiatives. Firstly, the Welsh Government has established ambitious statutory targets for recycling rates which local authorities must meet, with the threat of fines for any shortfalls. The target was to recycle 40% of all waste in 2009-10 and 52% in 2012-13. While the former target was narrowly missed at an all-Wales level, the latter was hit; and while some individual local authorities fell short, the gap between the best and the worst performers has all but halved since 2006-7 (***fig. 6y***).

[167] European Environment Agency http://www.eea.europa.eu/data-and-maps/figures/municipal-waste-recycling-rates-in

Figure 6y



6.37 This has not been simply a matter of setting targets and threatening fines. The Welsh Government and local authorities have also sought to educate households about the importance of recycling, and to procure recycling plant and infrastructure collaboratively. Alongside that, the National Assembly for Wales has legislated to reduce the use of disposable carrier bags through retailers levying a small charge for them. The key is clarity and coherence: where the desired outcome is clearly stated in the form of a target or otherwise, and pursuit of those outcomes is coherently supported by measures to change delivery methods and citizen behaviour, then strong and sustained improvement is possible.

6.38 That approach may be particularly suitable to a service like waste recycling, where processes are relatively standard and outcomes are easy to measure. But it is not the only such service, and the marked success of the approach that the Welsh Government and local authorities have taken points strongly to its use in other largely standardised services. **We recommend that the approach of setting targets and supporting their attainment through changes to delivery practices and public awareness must be adopted for other appropriate services and outcomes,** and we explore that further below.

National performance management

6.39 These changes can only take place effectively within a clear, consistent, well-structured and streamlined approach to measuring and managing performance across

the public sector. We received very strong, consistent evidence from across and beyond the public sector that this was not the case at present, and that radical reform was necessary.

6.40 Conceptually, there are several categories of performance data reflecting different stages in the delivery of public services:

Category	**Focus**	**Examples**	**Main Uses**
Input	Financial and other resources used Service volume	Cost of service Number of service-users Ratio of staff to service-users	Front-line operational and financial management, and detailed audit and scrutiny of this
Process (or throughput)	Efficiency and completeness of process	Speed of / waiting times for service Compliance with required means of provision	Operational and service management and improvement, and detailed audit and scrutiny of this
Output	Quality of services	Number / proportion of successful instances of provision Number / proportion of services meeting defined standard	Overall service improvement and outcome contribution; high-level audit and scrutiny; public accountability;
Outcome	Effect of services on society	Measures of positive change in social / economic / environmental wellbeing	Long-term, strategic and collaborative policy-making and accountability

6.41 Each of these has different uses for different purposes and audiences. For instance, outcome data are relevant to setting and monitoring strategic policy, whether at the organisational or national level; whereas data about inputs and processes are most useful in the operational management and improvement of specific services.

Performance management terminology

This section of our report uses several important performance management concepts and terms . In wider discussion, and in some of the evidence we received, these are sometimes used loosely and interchangeably. In the interests of clarity, we use them in our report to mean the following:

A *performance indicator* (or just *indicator*) is a measurement of some aspect of performance. It contains no expectation about the level of performance which is desirable. For example, *the percentage of municipal waste which is recycled, reused or composted* is a performance indicator.

A *target* is a level of performance (as measured by a performance indicator) which organisations must or should seek to attain, usually expressed as a level that must be reached by a specified time. So *local authorities must recycle, compost or reuse at least 52% of municipal waste in 2011-12* is a performance target. Targets may be set within organisations themselves, or across a set of organisations by law or by another mandatory mechanism.

Standards are similar to targets but specify a level of performance below which performance should not or must not fall, usually expressed as a continuous requirement. For example, *no patient should wait more than 36 weeks to be referred for NHS treatment* is a performance standard. Again, standards may apply within one organisation or across many.

Incentives in this context are financial or other rewards (such as greater decision-making or financial autonomy, or relaxed regulatory requirements) given to organisations that attain targets or remain above standards. *Sanctions* are the opposite: penalties incurred by organisations that miss targets or fall below standards.

Benchmarks are comparisons of performance between one organisation or jurisdiction and another using the same or similar indicators. Their main value is in highlighting relative performance and scope to improve it, and helping to identify other policies, programmes and service delivery arrangements which may yield better performance. In turn, they may inform the setting of targets or standards. However, this should not happen necessarily or automatically, especially if there are known differences between the organisations or their contexts that account for differences in performance.

The visible hand of performance improvement

6.42 Effective performance management demands far more than simply measuring the right aspects of service delivery. It requires the widespread interpretation and use of performance data to drive improvement in services; or, as research we commissioned put it, a set of "policies, strategies and techniques intended to direct managers' and employees' attention towards the improvement of an organization's performance"[168]. This could entail organisations themselves monitoring data to identify the need for corrective action, such as changes to delivery methods or extra investment; regulators and scrutiny bodies using data to inform and support pressure for change; or citizens receiving data, which helps them understand how far their entitlements and expectations are being met, and using that to hold service-providers to account.

6.43 That is particularly important in Wales. As we explained in Chapter 2, at a political level Wales has largely rejected approaches to public service provision and improvement based on competition between service-providers and choice for citizens between them. In doing so, Wales has deliberately forgone one of the main supposed drivers for improvement in some other systems, namely that of consumer choice. In such systems, service-users are assumed to have a significant degree of freedom to choose between different service-providers, such as individual schools and hospitals. They are invited to make that choice based on clear and comparable performance data for those providers, which are often represented or summarised in the form of league tables, star ratings or similar. As one commentary noted,

Scotland and Wales departed from the UK government's approach… in their rejection of 'top-down' performance management based on target-setting and performance league tables. Both devolved administrations adopted a far more consensual approach than the UK government in their dealings with local government… Oversight mechanisms were developed through 'a consultative style based on convention and consensus, not codification, as in England.'[169]

This point was reinforced by the First Minister, in announcing the establishment of this Commission:

Public services must remain public. Their value lies in their universal availability, and in the potential for public organisations, including the third sector, to work together to improve the wellbeing of citizens and communities. We cannot leave that to the

[168] Andrews, R. Oct. 2013. *Performance Management and Public Service Improvement: Evidence Review Prepared for the Commission on Public Service Governance and Delivery*. Research prepared for this Commission.

[169] Andrews, R. and Martin, S. 2010 *Regional Variations in Public Service Outcomes: The Impact of Policy Divergence in England, Scotland, and Wales*. Regional Studies 44:8 p.4

market. If we turned public services into commodities, provided them competitively and allocated them according to ability to pay, we would destroy what we have sought to preserve. That is not on my agenda.[170]

6.44 Such choices are ultimately grounded in broad political preferences. However, if performance is not managed through competition, and if performance data are not used to inform consumer choice, there needs to be a clear and effective alternative. How else is performance to be managed, and how else are performance data to be used to drive improvement? As the Bevan Commission argued in its evidence to us, if Wales is not to use the 'invisible hand' of the market to allocate public services and drive improvement, it instead needs a 'visible hand' – of clear outcomes and transparent data about how performance contributes to them. Only then can organisations, regulators, government and citizens use such data to understand performance levels, hold service-providers to account and identify the need for improvement in services and outcomes. That can act as a viable alternative to market-based approaches; as our research noted,
there is now a strong evidence base suggesting that during the 2000s, competitive learning through the publication of performance information proved successful in driving performance upwards.[171]

6.45 We strongly agree with this approach. However, we are bound to conclude that current arrangements for performance measurement and management at a national level are a long way from supporting it effectively and consistently. That is most obviously visible in the very extensive, complex, overlapping and undifferentiated set of sources of performance data. These are as follows:

- **The Welsh Government's *Programme for Government***: the statement of its commitments in the current Assembly term. This includes some 247 indicators, which are grouped by theme, but which include a mixture of input, process, output and outcome measures, and which apply either to the Welsh Government directly or to other public service organisations in Wales;
- **Mandatory performance indicators**, which organisations are required to collect either because they have a statutory duty to do so; because they are specified in remit letters or similar; or because doing so is a condition of grant funding. Again, these may be a mixture of input, process, output and outcome indicators;
- **National targets and standards**, which organisations are expected or required to meet. These are common in the NHS, but also exist elsewhere. They tend to focus on process and output measures;
- **National data collections** generally not badged as performance data, but covering service volumes and inputs. Others cover broader demographic and socioeconomic

[170] National Assembly for Wales *Record of Proceedings*, April 30th 2013,
[171] Andrews, *ibid*., p6.

data, some of which (such as the Welsh Government's sustainable development indicators) constitute broad outcome measures; and

- **Local, organisational or sectoral indicators**, i.e. data which organisations themselves decide to collect to measure performance against particular local or client group needs, professional standards and otherwise. Again, these may be a mixture of input, process, output and outcome measures.

6.46 The first four of these categories overlap, such that some (but not all) national targets and standards feature in the *Programme for Government* and some (but not all) statutory performance indicators are derived from national data collections. Local or sector-specific data may not overlap with any of the above categories, but may duplicate or conflict with them. For instance, all local authorities are required by law to collect and report performance data on the time taken to complete disabled facilities grants (DFGs). However, some local authorities such as Flintshire concentrate for their own purposes on separate data for adult DFG clients and for children, while others such as Carmarthenshire also measure the waiting time from a client's first contact with the council to their receiving a DFG assessment from an occupational therapist. Any of these approaches may have its merits, but operating them alongside each other risks causing confusion and complexity.

6.47 The result is a very wide set of performance indicators, which require considerable resources to generate a large volume of data of limited benefit. It also risks adding substantially to the problems of complexity, which we discussed in Chapter 2. As Carmarthenshire County Council stated in its evidence to us:
Local government is subject to a wide range of performance management regimes, many of which are uncoordinated, potentially conflicting and overly complex.

6.48 That view was very common in the other evidence we received; indeed, few issues within our remit attracted a greater and more consistent weight of evidence. For instance:

There should be a greater focus on outcomes and the impact a service makes to the life of an older person. The Welsh Government's framework is still driven by numbers and targets. An improved model which focuses on outcomes is essential. (Older People's Commissioner for Wales, oral evidence)

Too much meaningless data is collected. Wales should adopt a uniform approach which focuses on the most important priorities and outcomes but also allows local priorities to be reflected. (Society of Local Authority Chief Executives, oral evidence)

Performance regimes are too complex, there are too many performance indicators and

there is not enough focus on outcomes. (Welsh Local Government Association)

Performance indicators and data are too extensive to be of use to citizens in assessing performance. A standard response to a crisis… is to devise more and more performance data, none of which deals with the root cause of the problems and outcomes. (City and County of Swansea Council).

The danger for all authorities is in attempting to satisfy regulatory frameworks that overly complex reporting mechanisms are established and consequently the focus on the most important measures are [sic] *sometimes lost.* (Blaenau Gwent County Borough Council)

[S]ome of the national indicators that we have to collect are not relevant or do not tell us about our performance. A key issue is that there are too many pieces of data to collect… [T]he time to focus on key priorities can be diluted owing to the industry of data collection. (Conwy County Borough Council)

There is too much demand for data at a national level, and that the various reporting requirements have created an industry in data collection. This industry of disaggregated performance measures being collated and reported to different bodies, at different levels, throughout Wales, can result in a loss of focus about what is important. (Denbighshire County Council)

The collation and reporting of data sets is time consuming and some of the data doesn't give us a sound basis for us to understand whether we are delivering for our communities. Performance reporting demands on a national level… can lead to a loss of focus. (Isle of Anglesey County Council)

There remains a substantial centrally-driven regulatory burden which can overwhelm efforts to improve self-regulation, transparency and local accountability… [P]erformance management is still synonymous with league tables and burdensome / top-down reporting demands. We would prefer to develop performance arrangements that honestly reflect local priorities and realistically reflect what can be achieved in the context of the financial pressures being put upon us now and for the foreseeable future. (Newport City Council)

A large number of performance indicators and a mass of data is produced with some being of limited use. It would be a worthwhile project at an all Wales level to examine and compare all performance indicators and data reported on to reduce repetition and to reduce reporting to a lower, but more meaningful level. (Mid and West Wales Fire and Rescue Service)

There seems to be a large number of priorities both at [national] level and at local delivery level. There is often confusion around which has priority. If the WG were to consider embracing a 'one public sector approach' this could lead to clarity of service direction and delivery, reductions in duplication, overlaps and costs, thus freeing up resources for reinvestment. (Police and Crime Commissioner for Gwent)

[G]reater transparency in the health service in Wales could help to improve governance and drive performance. Data collection in Wales has been historically poor, particularly for outcomes data. (Royal College of Surgeons)

Data and data collection can be problematic, and there is an issue of how information is used, prioritised and understood. Currently public service organisations collect data on a departmental 'silo' basis… [and] we would question the value it adds to those organisations… Data is target and output driven…based on volume and time rather than used to drive quality improvement based on citizen outcomes… There is a gap in terms of data collected on service outcomes, quality, preventative and public health work or reducing health inequalities. (NHS Confederation)

Currently, a plethora of performance information and outcome measures are in existence... A number of challenges exist in relation to how this information is used, collected, understood and what contribution it makes to improvements in services and outcomes. These include: lack of focus due to high number of different measures; lack of clarity in relation to which organisation(s) are responsible for the various outcomes and indicators;…[and] challenges in collecting meaningful service user information. (Public Health Wales)

[W]ithin the Communities First Programme the outcomes have been set nationally, framed in terms of activity rather than outcomes…Instead of adopting a new method of thinking and working, Welsh Government has effectively used traditional outdated methods and applied new terminology and language. (Association of Voluntary Organisations in Wrexham)

Patchy performance is a common theme across the public sector in Wales and there are difficulties with the range of performance indicators used which produce different impressions. A more uniform approach to data collection should be adopted alongside increased clarity as to how data will be used. (Wales TUC)

A major issue that impedes performance is the level of transparency for performance measures. This leads to poorer outcomes and a lack of critical evaluation… Without proper measurement and clear accountability it is difficult for service users to suggest methods of improving any service. (Federation of Small Businesses)

Problems of the current arrangements

6.49 Overall, this evidence strongly suggests that the current national arrangements for performance measurement and management cause several very serious problems.

6.50 Firstly, the plethora of different indicators and measures means that priority outcomes and progress towards their delivery are unclear. Using and reporting on so many different measures and indicators carries a clear risk that improvement in key areas will not occur, and services that are under-performing will not be identified promptly. It also significantly adds to the burdens of managing internal public-sector processes and relationships rather than securing better outcomes, which we described in Chapter 2. This may well explain some of the disparities in performance that we described earlier in this chapter: there is simply too much undifferentiated performance data available for organisations to use it all effectively. As a major recent study put it:

Timidity in the design and implementation of performance management systems, combined with a lack of joining up between the different components of the current performance management framework… increases the risk that early warning signs are missed.[172]

6.51 Second, this same spread of indicators and measures, and the absence of differentiation in terms of their priority, means that organisations lack focus and risk spreading their resources and their improvement efforts too thinly. The pressures of austerity mean that organisations must give strategic priority to delivering and improving services that will have the greatest positive benefit for citizens and communities. Yet having a wide-ranging and unfocused performance management framework is a critical impediment to that.

6.52 Third, there is a tendency to measure outputs and processes within organisations rather than outcomes that are shared between them. There are also examples of different organisations measuring the same things in different ways. For instance, the NHS measures delayed transfers of care in terms of the absolute number and length of delays for multiple reasons. Local authorities measure the rate of delays per thousand people aged over 75, do not measure length of delay and count only delays for social care reasons. This fosters short-termism and silo working, and inhibits outcome-focused collaboration. For an issue like delayed transfers of care, which demands seamless services and strong partnership working between the NHS and local authorities, that is inexcusable. The mental health charity Hafal made a similar point to us about different ways of measuring performance of mental health services

[172] Martin *et al.*, *ibid.*, p45

between the NHS and local authorities.[173]

6.53 Fourth, the burden of the "data collection industry" (as many described it) shifts the attention from using data intelligently to improve performance to an exercise in simple measurement. Data become just abstract numerical quantities rather than reflections of service quality or citizen experience; and are collated and reported unthinkingly rather than being used to inform decisions about which services need to be improved and how. That may lead to some of the weaknesses in organisational performance management – such as narrow comparisons with the Welsh average – that we describe below. As the WAO recently reported,
[W]e found that few local authorities were actively using the information they collated [about homelessness prevention] *to shape and improve services in a systematic way. Only two local authorities could identify how the information they collected on preventing homelessness had assisted them in reviewing and changing services to address identified weaknesses.*[174]

6.54 Fifth, the volume and range of data includes duplicate measures for the same service. For instance, there are seven separate indicators measuring the attainment of children at key stage 4 (the end of their compulsory education):

- Percentage leaving school without any qualifications and not proceeding to further education, employment or training;
- Percentage passing any 5 or more GCSEs at any grade;
- Percentage passing any 5 or more GCSEs at grades A* to C;
- Percentage passing 5 or more GCSEs at grades A* to C, including English or Welsh and Mathematics;
- Percentage passing 5 or more GCSEs at grades A* to C, including English or Welsh, Mathematics and Science;
- Average points score (which includes both GCSEs and other approved qualifications by awarding each qualification and grade a points value);
- Average capped points score (as above, but which counts only the best eight results achieved by each pupil).

Data are also available for attainment in specific subjects, at specific schools, disaggregated by gender and for children in local authority care. These data are vital for those directly managing education services. But in terms of understanding overall performance in education or holding schools or local authorities to account, this complexity and duplication is profoundly unhelpful. It also facilitates selective reporting (which we discuss further below): different data measuring the same outputs of the same service may tempt organisations to select and report the most

[173] Oral evidence at the Royal Welsh Show, July 2013
[174] WAO, *ibid*., p26

favourable.

6.55 Finally, the mass of data, the duplications and inconsistencies in it, the lack of outcome focus and the way in which data are used and reported significantly hinders accountability, whether to scrutiny bodies, government or citizens. Simply acquiring all relevant data can be a challenge, even for the internationally-renowned team of researchers who produced the recent *Learning to Improve* report, who found that "evidence has to be pieced together from a variety of different sources." [175] They concluded that:

The ways in which local government performance was reported during the period covered by our study did not do enough to enhance public understanding or encourage accountability to citizens. Nor did it seem to support effective scrutiny and challenge by councillors or Assembly Members or provide a strong enough driver of improvement.[176]

Developing a national framework

6.56 We are bound to conclude that **the systems and processes for measuring and managing performance at an all-Wales level need a radical overhaul.** Performance data are too numerous, too undifferentiated and often too technical and process-focused even for organisations to use them effectively, never mind those who hold them to account. We agree with the Chartered Institute of Public Finance and Accountancy, who argued strongly for

An integrated performance management framework which enables improved management of performance at government and organisational levels and which includes demonstrable evidence that benchmarking sits at the heart of performance improvement.

This was echoed by the Welsh Local Government Association:

[T]he Welsh Government should seek to set a small number of clear and focused priorities for Wales and determining the overarching strategic direction, but should provide maximum flexibility and freedom to local authorities to determine local priorities and delivery... it is the role of the Welsh Government to set strategy nationally and for local government to deliver services locally in accordance with the national strategy but taking account of local circumstances and priorities.

We were also impressed with the evidence we received from the police about the benefits of this kind of reform in their service. For instance, the Association of Chief Police Officers noted that

The police service now has only one official target… to reduce crime and anti-social behaviour… The way that performance is managed has progressed from the historic

[175] *Ibid.,* p.44
[176] *Ibid.*

top-down target-driven culture yet across the country crime is falling and satisfaction with the police service is being maintained or improving. Clarity in relation to targets also facilitates the dissemination of clear and consistent messages to staff.
The same approach has also been shown to work internationally. In the United States, the quality of care improved markedly in 150 hospitals that focused only on a small and clear set of outcome measures. Those responsible have argued strongly for *a balanced and small set of measures to assess the quality and safety of the process of delivering care based on a small set of critical evidence-based practices that have a strong relationship with health outcomes.*[177]

6.57 We agree with these broad suggestions. In particular, we believe that there is a strong case for developing a new and more coherent national performance framework, which should include the following features:

- Greater clarity around fewer national strategic outcomes;
- A visible differentiation between those and other outcome, output, process and input measures, with clear connections between them but with less or no national prescription below the national strategic level; and
- Greater consistency in the collection, use and reporting of data across the public sector, which drives improvement, facilitates partnership working and strengthens accountability.

6.58 This reform must be nationally driven and co-ordinated across the public sector. **It must culminate in a clear and concise statement of strategic all-Wales outcomes to which all public sector organisations contribute.** Formulating and delivering on those outcomes is properly a matter for the Welsh Government, in line with its democratic mandate and its accountability to the National Assembly for Wales. That is not to determine what that mandate should be, or to seek to restrict political parties to campaigning only on those high-level outcomes: that would be absurd. But any government in office should structure and manage its relationship with the rest of the public sector around **relatively few national outcomes**. In the interests of stability and certainty, and in recognition of the fact that many outcome measures change only slowly over time, these should be set for the entire term of the National Assembly for Wales and only changed or augmented in the face of compelling evidence that long-term needs and priorities have also changed**.** As we discussed above, **these outcomes should foster an emphasis on prevention and improving wellbeing**, rather than measuring the efficiency or throughput of high-cost responsive services. In the interests of clarity and accountability, **progress towards those outcomes should be reported regularly and in an accessible way**.

[177] Meyer, G. *et al*. 2012 *More quality measures versus measuring what matters: a call for balance and parsimony*. BMJ Quality and Safety 21 964-968

6.59 The ways in which organisations contribute to those outcomes, and how they measure, manage and account for that, need to be robust and consistent, with a clear line of sight to the national outcomes. But those organisation- and service-specific performance measures need not and should not be uniformly imposed in the same way as the national outcomes. That gives them a greater status than they should have and constrains organisations' freedom to contribute to national outcomes as best they can and in ways which also meet local needs.

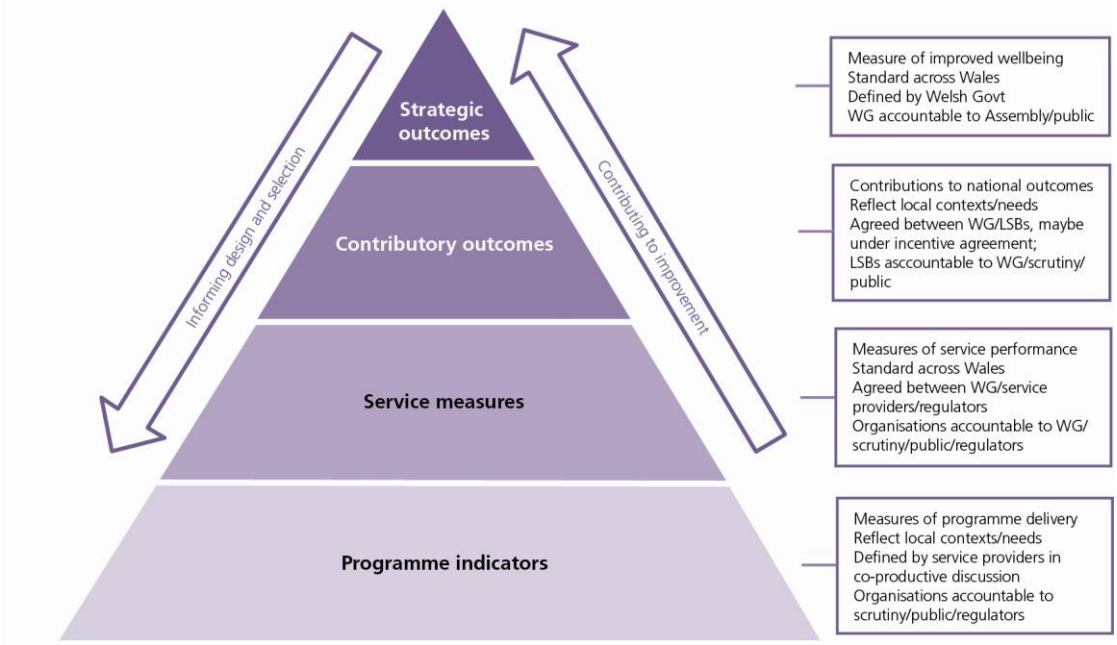
6.60 Instead, the ways in which delivery organisations manage and measure their performance should be approached consensually, and in two complementary ways.

- Firstly, and subject to our recommendations on simplifying collaboration and clarifying the role of local service boards in Chapter 2, **there should be a clear and concise set of outcome measures, with milestones and targets where appropriate, agreed between the Welsh Government and each local service board** and based on that area's single integrated plan. That would set out how local organisations work together to contribute to national outcomes while also meeting local needs. It should recognise that many outcomes take time to achieve, so should avoid undue short-termism in setting targets and milestones. The possibility of an incentive-driven approach similar to the current outcome agreements should also be explored; we discuss this further below;
- Second, **the ways in which organisations measure, manage and account for the performance of each service must be robust, streamlined and consistent across and between organisations.** They should allow organisations to understand in detail how their services are contributing to local and national outcomes, while ensuring that service standards are maintained and enhanced in the short term. These data will therefore be most useful to managers of services and those who hold them formally to account, and should also form the basis of benchmarking at organisational level. However, the Welsh Government has a legitimate interest in ensuring that services are being managed effectively, and a responsibility to take action when they are not. **These measures should therefore be agreed between the Welsh Government, regulators and service-provider organisations**;
- Finally, at a more detailed level, all organisations operate their own particular programmes and initiatives for delivering services. Sometimes these are standardised and/or reflect established professional norms or ways of working; performance management at this operational level should be left to organisations themselves. In other cases, though, programmes and initiatives are, or should be, tailored to address particular issues or the needs of particular communities or user groups. Here, we believe there is potential to pursue the co-productive approach to service design and delivery which we advocate elsewhere in our report. **We therefore recommend that public service providers engage with citizens, communities and user groups in establishing means of managing and monitoring**

the performance of tailored programmes of delivery.

6.61 This approach to reform will yield a streamlined performance measurement and management framework across the public sector. There would be clear differentiation between different sorts of measures, with different responsibilities for devising, collecting, analysing and reporting them. There would, though, be a clear line of sight from front-line delivery to the high-level national outcomes set by the Welsh Government.

6.62 Overall, in graphical form the framework would look something like this:



6.63 The Welsh Government's *Programme for Government* (and similar documents developed by future governments) must constitute the apex of this framework. At present it does not do so well enough. As we noted above, it contains almost 250 indicators. While some of these are genuine outcome measures, like employment rates or the incidence of crime, many others are measures of output, process or input relating to local authorities, the NHS, other service-providers or the Welsh Government itself.

6.64 The content of the *Programme* is naturally a matter for the Welsh Government, which is equally accountable for its delivery. We can have no view on the appropriateness of any of the specific commitments in it, nor are we seeking to constrain the terms and ways in which political campaigns and mandates operate. However, any government needs to set those mandates out as a clear programme for governing - an overall strategic direction. That programme must clearly differentiate between outcomes,

outputs, processes and inputs and, in so doing, support simplicity and effectiveness in performance management at a national and an organisational level.

6.65 **We therefore recommend that, by the end of 2014, the Welsh Government must bring greater clarity and distinction between different measures, indicators and targets in use. At the national level, performance measurement and management should focus on what needs to be done, not on how it is done. So in particular, these reforms must:**

- **Draw out clearly the key outcomes and priorities the Welsh Government wishes to see delivered; and**
- **Create more streamlined and consistent ways of measuring service performance below that, without prescribing the detailed measurement of operational and delivery matters.**

6.66 There are several examples from around the world of governments which have already adopted this approach, and which may be useful:

- The US State of **Virginia** has set seven goals, which cover all activities of the State government (such as "Inspire and support Virginians toward healthy lives and strong and resilient families"). Under each of these are a handful of outcome measures, which are used to monitor progress against each of the goals (such as a reduced incidence of cardiovascular disease). Underpinning the outcomes are measures of the performance of State agencies and the quality of services they provide (such as the percentage of cardiovascular patients whose blood pressure is within acceptable limits). The entire high-level scorecard can be seen at a glance on a single screen or sheet of paper. This is a model of clarity, which captures both high-level outcomes and the contributions that service-providers make to them coherently and powerfully.[178]
- The Virginia system influenced the development of a similar model in **Scotland**, which comprises 8 "purpose targets" (such as "increase Scotland's economic growth"), 16 "national outcomes" (such as "We realise our full economic potential with more and better employment opportunities for our people") and 45 "national indicators" (such as "Increase the business startup rate"). Again, both the high-level ambitions and the outcomes that contribute to them are clear and unambiguous.[179] Furthermore, the Scottish Government has recently started consulting on legislation that would place this framework on a statutory footing, requiring the Scottish Ministers to develop, publish and report on a set of national outcomes.[180]

[178] See http://vaperforms.virginia.gov/index.php . Another similar US example is in Washington State: http://www.results.wa.gov/
[179] See http://www.scotland.gov.uk/About/Performance/scotPerforms
[180] See http://www.scotland.gov.uk/Publications/2013/11/5740/6

- In **New Zealand**, the Prime Minister (the Rt Hon John Key) has set out "ten results for New Zealanders" – high-level objectives in five key areas – for which named Ministers and officials are accountable. The structure is similar to the other two examples: objectives like "reducing crime" are broken down into outcomes like "reducing reoffending", which in turn inform agency-specific measures and programmes on, for instance, rehabilitation and substance misuse. As in Virginia and Scotland, both the overall strategic direction and the detailed contribution that departments and agencies make to it are simply and clearly identified, monitored and reported.[181]

6.67 We include these examples both as templates for reform and to demonstrate that this approach can work in relatively small jurisdictions. However, we do not underestimate the scale of the change that is needed. Like most of the recommendations in this report, it will require leadership and commitment at both national and local level, and across the public sector. In particular, the different ways of measuring and managing performance between different services and different parts of the public sector need to be unified, which may well mean abandoning some established systems, measures, indicators and datasets altogether. Any defensiveness or protectionism about them at either the national or local level will need to be comprehensively overcome. But the benefits that will flow from a simpler, clearer and more consistent national performance framework will be considerable.

Targets, incentives and benchmarks

6.68 The changes we recommend above will help to create a national performance framework that actively drives improvement and outcome attainment, rather than merely the measurement of processes and outputs. That approach will rely heavily on individual organisations adopting and maintaining effective performance management and improvement practices, which we consider in detail later in this chapter. However, it is also both possible and necessary to build improvement mechanisms into a national-level performance framework. We have identified several means of doing this, which build on some of the examples of strong performance we have already described.

Fixed targets

6.69 The simplest and most direct way to use performance information to drive improvement is to set targets for the desired level of performance. As we noted above, this has had conspicuous success as part of a wider programme of

[181] http://www.ssc.govt.nz/bps-results-for-nzers

improvement in waste recycling. Targets clearly set out what organisations need to achieve, and allow citizens and others clearly to understand how far they have done so.

6.70 Some targets already exist, not only for waste recycling but also for many aspects of NHS services. The recent adoption of school banding – while not amounting fully to 'league tables' – enables similar comparisons to be drawn. Library services are subject to a comprehensive suite of Welsh Public Library Standards which set out desired levels of service. A comprehensive survey of the Welsh Government's relationship with local government also found a mixture of mechanisms and approaches between different policy and service areas, from highly directive and target-driven to highly consensual.[182]

6.71 There is some evidence that setting targets at the national level, which then apply to all relevant organisations, may drive improvement more effectively than leaving this to local discretion,[183] by bringing greater clarity and focus to improvement priorities. As we discussed above, we received strong and consistent evidence calling for such clarity, if not necessarily for target-setting. Our research concluded that, if applied correctly and coherently,

[p]erformance management techniques such as the use of targets… improve the effectiveness of public services and have a positive impact on outcomes.[184]

On the other hand, setting national targets reduces or eliminates the scope for local or organisational discretion. Maintaining discretion is not just a democratic end in itself. The long-term pressures of austerity will demand precisely such discretion to make difficult choices between competing priorities which all organisations will face; and may well mean that they lack the basic capacity to deliver all services equally well. In those circumstances, targets may simply be an exercise in setting organisations up to fail. They risk distorting decision-making or inducing gaming behaviour in order to meet the required level of performance; and they may demoralise organisations and their staff who find themselves simply unable to meet them.

6.72 Overall, we believe that there is no need to make a principled decision for or against target-setting across the public sector. It is a means, not an end. Instead, there needs to be an informed choice of where and at what level fixed targets are appropriate. Drawing on the above example of successful target-setting in waste, we believe that national targets are appropriate where:

[182] Martin *et al. ibid.*

[183] Andrews and Martin, *ibid*. Andrews, R. *Performance Management and Public Service Improvement: Evidence Review Prepared for the Commission on Public Service Governance and Delivery*

[184] Andrews, *ibid*., p8.

- There is a clear need to make measured progress towards a particular outcome; and
- There is little variation between organisations or areas in how, and for whom, a service is, or should be, provided; and
- There is clear evidence that changing the ways in which a service is delivered, and/or campaigns of public education, will sustainably improve performance for relatively little cost; and
- Appropriate policies and programmes can be put in place nationally and locally to support those changes.

6.73 In such cases, and reflecting our analysis of waste recycling performance earlier in this chapter, we **recommend that outcome targets and support programmes should be developed as part of the national performance framework**. They should be applied at the outcome level, leaving organisations and partnerships free to determine how they will pursue the targets. They should also be underpinned by the clearer approach to spreading good practice which we propose below. Current targets that do not meet these criteria should be considered for removal. In particular, **national targets that relate solely to service volume, process or throughput are inappropriate**, especially in a time of austerity when they may become impossible to meet. Performance information about these matters naturally remains vital, to ensure that services are managed as efficiently as possible; and organisations can and should set appropriate internal targets to assist with that. But standardising these at the national level risks focusing attention on processes rather than outcomes, and in an increasingly unsustainable way. We welcome the Health Minister's recent announcement of a review of NHS targets along these broad lines.[185]

Incentive schemes

6.74 It is also possible to create certainty and clarity at the national level by incentivising progress towards delivering broad outcomes, without specifying exactly how that is to be demonstrated, or which services should perform to a particular standard.

6.75 The Welsh Government's outcome agreement programme is an example of just such a scheme. Under it, local authorities (only) are invited to set out how they will contribute to a range of broad outcomes derived from the Welsh Government's *Programme for Government*. Within those outcomes, local authorities are free to determine how they will demonstrate such a contribution. Progress is assessed annually; if it is deemed at least adequate, a local authority receives a reward grant equating to around 1% of its revenue support grant. Grant is reduced on a sliding

[185] Written statement to the National Assembly for Wales, 27 November 2013.

scale for lower levels of performance.

6.76 An independent evaluation of outcome agreements[186] found strong general support for them from local authorities and their officers. They believed that the agreements increased clarity and accountability without unduly constraining local discretion and priority-setting. It also found that the agreements probably improved performance, while noting some methodological problems in reaching firm conclusions on this.

6.77 However, there were reservations about the lack of connection between the agreements and other mechanisms of accountability to the Welsh Government. Local authorities were also concerned about the inclusion of outcome measures that were outside local authorities' control, when only the local authority stood to lose grant if performance was substandard.

6.78 That was echoed in the evidence we received. The City and County of Swansea Council, for instance, felt that the agreements as they stood had *distort[ed] effort and priorities in pursuit of relatively small amounts of money* and instead called for *a small number of outcome agreements which cover the whole public sector [which should] be derived from evidence-based research… Local deliverers [should] have freedom to determine how outcomes are delivered.* Flintshire County Council expressed a similar view: *[P]erformance 'contracts' such as the Outcome Agreement have had limited impact… Governmental–organisational 'contracts' on performance could be introduced with 'earned autonomy' an incentive.*

6.79 The detailed design of any such arrangements or agreements is a matter for the Welsh Government and other public organisations. However, in principle we would support a programme that:

- Clarified and streamlined the strategic outcomes to which organisations should contribute;
- Allowed them the space to determine how to make such contributions in line with local and/or citizen priorities while focusing effort on known areas of under-performance or unmet demand;
- Encouraged organisations to work together to pursue outcomes, most obviously by concluding agreements with local service boards rather than just local authorities; and
- Incentivised delivery, by means of either a financial reward and/or earned autonomy in the form of relaxed controls on other funding schemes. Demonstrably

[186] Law, J. 2013 *Do outcomes based approaches to service delivery work? Local authority outcome agreements in Wales*. University of South Wales Centre for Advanced Studies in Public Policy

strong performance could and should also lead to a reduction in the extent and frequency of audit, inspection and regulation.

6.80 Such a programme would reinforce several of our other recommendations: for instance, clearer performance management, more effective collaboration and a more consistent role for the Welsh Government. Therefore, **we recommend that the Welsh Government develops and concludes high-level agreements with each local service board, setting out how the board and its members will contribute to national strategic outcomes while also addressing local needs and priorities**. The Welsh Government should also monitor their delivery and offer some form of incentive in return for good performance.

Benchmarks

6.81 The third way of driving improvement in a national performance framework is through benchmarking: comparing performance in Wales with that elsewhere. This can provide powerful evidence of relative standards, quality and potential for improvement, in particular by identifying policy and delivery changes elsewhere which appear to be effective. As our research put it,
Performance management [across organisations or at the national level] is particularly effective, so long as there are sufficient comparator organizations to allow performance competition and comparative learning between organizations.[187]
It can also help to counteract the insular tendency to compare only within Wales, which we describe later in this chapter; and to inform the setting of targets.

6.82 However, benchmarking is not always straightforward. Comparing performance depends on identifying similar ways of measuring performance by similar organisations in different countries. This is often frustrated by broad differences of policy (for instance, the UK Government's decision effectively to abolish standardised performance measurement in English local government), detailed differences in definitions (for example, the calculation of waiting times in the NHS varies across the UK) or differences in delivery (for instance, Scotland has a profoundly different school examinations system from the rest of the UK). As the Auditor General for Wales noted in his evidence to us:
[W]ith the approach to public service delivery diverging across the UK, comparison of performance is becoming both more important and more difficult... There is a danger that this situation leaves citizens and public bodies in Wales unable to see whether pursuing a different path is working to Wales' benefit or whether there are lessons that could usefully be learned from other parts of the UK to improve performance in

[187] Andrews, *ibid*., p8

Wales.

6.83 Equally, there are dangers in benchmarking in a simplistic way, and with comparing performance in contexts that are too different for meaningful lessons to be learned or for valid targets to be set. For instance, it is common to make comparisons between performance in Wales and England. England is of course much larger and more urbanised than Wales; it has markedly different governance structures in both local government and the NHS, and an increasingly divergent policy agenda. Such differences may prevent meaningful comparisons being made and stimulate superficial or misleading ones.

6.84 However, that does not mean that all benchmarking is futile. Directly comparable data do exist in many service areas; we used some such data in our analysis of performance earlier in this chapter. That includes data from beyond the UK, for instance, in the form of the PISA survey of educational standards or the satisfaction data that are common between the National Survey for Wales, the similar survey sponsored by the Scottish Government, and Europe-wide surveys.[188] Even where data about a service are not directly comparable between two countries, relative rates of change can still be illuminating. And differences in context can be overcome by comparing organisations with others in similar contexts elsewhere, rather than by simply comparing the whole of Wales with the whole of England.

6.85 The benefits of benchmarking are too great to forgo because of detailed methodological issues. We agree with the conclusions of our research that
Policy makers at national and local level need to ensure that there are performance management systems that enable the performance of Welsh councils to be compared over time, between authorities, and with similar organizations elsewhere.
and that
Public services in Wales should make more use of approaches involving benchmark competition and international comparisons.[189]

6.86 **Benchmarking must be a key part of the new national performance framework. We therefore recommend that the Welsh Government must, by the end of 2014-15:**

- **Identify where directly comparable performance data exist in other countries;**
- **Establish reliable and accurate means of comparing data where there are detailed differences in definitions;**
- **Publish clear and meaningful comparisons between the performance of public services in Wales and the 'best in class' elsewhere; and**

[188] Principally, the European Social Survey, an academic programme of surveys of public attitudes across Europe: http://www.europeansocialsurvey.org/
[189] Andrews, *ibid.*, p9

- **Use those comparisons to identify where services are under-performing here, and/or where different policies and delivery mechanisms may have potential to improve performance.**

6.87 Based on this work, the Welsh Government should also encourage or require individual organisations to do the same, and to use comparisons and benchmarking to identify and implement improvement opportunities. At present there is little evidence of service-providers doing so consistently. As we note below, comparisons within Wales are widespread, but often simplistic or even complacent. The complex and undifferentiated national performance systems that currently exist also inhibit organisations' ability to manage and improve performance more generally.

Sharing and spreading good practice

6.88 Even the best performance management systems and techniques do not automatically generate improvement; they can only highlight where such improvement is needed. Actually improving services often depends on delivering them in different, more effective and/or more efficient ways.

6.89 This does not need to involve undue innovation or experimentation. It simply means identifying and applying good practice that already exists elsewhere. That should be self-evident common sense. It should also be a natural consequence of proper and robust benchmarking, which, as we noted above, should highlight both differences in performance and possible ways of addressing them.

6.90 There is certainly a widespread general recognition that this should happen, and/or that it already was. Many organisations claimed in their evidence to us that they were alert to good practice elsewhere and adopted it where appropriate.[190]

6.91 However, we found only limited and sporadic evidence of this happening. For instance, the Assembly's Public Accounts Committee reported in 2012 that *we are concerned that… although good things are happening in Wales, good practice is not applied consistently… We recommend that the Welsh Government supports existing methods for disseminating good practice*.[191]

6.92 Some service-providers expressed similar views. As the Vale of Glamorgan Council noted in its evidence to us,
Spreading good practice should be more widespread, particularly given the size of

[190] For instance, Conwy County Borough Council; the Vale of Glamorgan Council; Rhondda Cynon Taf County Borough Council and all three fire services.
[191] Public Accounts Committee April 2012. *A Picture of Public Services in Wales*, p25.

Wales: there are numerous examples of innovative and effective solutions to common problems being confined to single organisations.

Merthyr Tydfil County Borough Council agreed:

[A]t times there is a resistance to adopt practices from elsewhere in Wales, simply because that practice will have localised features.

As did the Society of Local Authority Chief Executives in their oral evidence:

Local authorities are quite immature at accepting best behaviour and best practice if it emerged elsewhere. This culture needs to change.

6.93 The main audit, inspection and regulation bodies shared this sense, with all of them commenting that the uptake of good practice was sporadic and often tokenistic. The Auditor General added that it was common for good practice to be adopted by organisations which already performed well and had an innovative outlook, but not by those which did not. This risks compounding the disparities between good and bad performance which we described earlier in this chapter.

6.94 In our evidence, the phrase "good practice is a bad traveller" was repeated to a degree that we found both worrying and instructive. It seemed to us that sometimes the phrase itself was encouraging a sense that organisations differed so significantly from one other that there could be no sharing and that this had underpinned the difficulties that had beset efforts to create joint services or improve services.

6.95 There are of course differences between organisations and places in terms of contexts, demands, priorities, structures and delivery methods. All of those caution against simply adopting practice from elsewhere wholesale and unthinkingly: any change in delivery or governance methods needs to be properly planned, led and managed, whether it originates from inside or outside an organisation. But to argue or assume that these issues prevent any significant spread of good practice, and/or that others' practices are 'not applicable here' is unacceptable. To do so is to reject one of the most basic, obvious and powerful drivers of better performance. As we note, that may well underpin some of the wide disparities in performance across Wales. More generally, it reflects an insular and complacent mindset that is at odds with the basic purposes of public service: of providing optimal services to citizens and communities by any reasonable means necessary.

6.96 There are numerous means of spreading good practice, including via the regulators, professional associations and networks, representative associations and research institutions. But they do not appear to have overcome the obstacles to adoption of good practice we noted above. Nor can they: any mechanism which merely highlights specific good practice cannot effectively challenge a general unwillingness to adopt it.

6.97 Ultimately, there must be a role for the Welsh Government here. As we saw in the case of waste recycling, clear national leadership on changes to delivery methods and public education and awareness, allied to statutory targets, is driving a very significant improvement in performance. That may not be possible in all service areas across the public sector: the evidence about 'what works' is often unclear, contested, context-specific or inconclusive. But where that is not so – where there is demonstrable evidence that particular means of delivering services will lead to better outcomes through improvements in the quality, availability or efficiency of those services – it is incumbent on service-providers to adopt them, and on the Welsh Government to ensure that they do.

6.98 **We therefore recommend that:**

- **The Welsh Government, together with service-providers and audit, inspection and regulation bodies, must identify cases where adopting good practice would demonstrably and consistently lead to continuous improvement and better outcomes.** This should happen in particular where there are wide disparities in performance, but can and should be applied to any situation where demonstrable good practice exists;
- **Service-providers must adopt those practices or justify clearly and objectively why they need not do so**. Such justification should show that equally good results could be secured by different means. If there are particular local and organisational reasons which prevent their adoption, the organisation concerned and the Welsh Government should seek to remove them; and
- **If organisations do not respond at all, and especially if poor standards of service persist, the Welsh Government must use financial, intervention and legislative levers to compel compliance.**

6.99 This recommendation only applies at a national and outcome level; it would not be reasonable for the Welsh Government to mandate in detail the operational management of particular services, other than in the exceptional case of intervention. But we nonetheless expect organisations themselves and their staff continually to identify, understand and adopt good practice from elsewhere; and that associations and professional networks support them in that by clearly identifying and communicating such practice. We make no specific recommendations on this, as success will depend more on changes to cultures and values which we described in the previous chapter. But it is clear that much improvement in performance can only take place at the organisational rather than the national level. It is to that issue that we turn next.

Local and organisational performance management

6.100 We have already referred to the views of many public service-providers about current national performance management arrangements. We agree with them that those arrangements are over-complex, unclear, burdensome and fragmented; and that they need the comprehensive reforms we have described. However, change at the national level alone will not improve performance management nor improve services. That also requires individual organisations to collect, use and report data effectively, and in ways which drive improvement.

Current arrangements and practices

6.101 At present, that does not appear to happen consistently enough. There is some evidence of some organisations improving in this area, and using information to manage and account for performance effectively. For instance, in a recent overview report, the Auditor General for Wales commended Conwy County Borough Council for the clarity with which it measured and reported on outcomes; Torfaen County Borough Council for the way in which it integrated corporate objectives with service plans; and the Isle of Anglesey County Council for the openness with which it engaged with the public about performance issues. However, the same report also found widespread problems in accuracy and relevance of performance data; analysing that data to drive improvement; and making meaningful comparisons with other organisations.[192]

6.102 The evidence we received substantiates those concerns. In particular, it shows that the following problems often occur.

Measurement, not management

6.103 Firstly, there is a tendency to collect data unthinkingly, or out of a simple need to comply with statutory or other duties to do so, rather than as a means of driving continuous improvement, with an active commitment to such a process. Much of the evidence we quoted above alludes to the burdens of data collection; and we cannot blame organisations for doing as the law requires. However, that same evidence may also reflect a narrow set of organisational values and behaviours. An unconsidered approach to performance management may allow the simple act of measuring performance to drive out the more difficult business of managing and improving it. It also risks turning performance management into a technical or statistical exercise for specialists, rather than a means of driving performance across and throughout an organisation. As Estyn put it in evidence to us:

[192] Wales Audit Office September 2013. *Local Improvement Planning and Reporting in Wales*.

In low-performing authorities, performance management lacks rigour; senior managers and elected members do not hold their officers to account well enough; and the work of officers is not quality assured rigorously enough to make sure that they are consistent in their work with schools.

Insularity and complacency

6.104 The way in which performance data are used and reported often reflects a poverty of ambition and an acceptance of mediocrity. The responses we received from public service organisations often asserted that they performed well because some or most of their performance indicator data were above the Welsh average. For instance, Ceredigion County Council claimed that:
The comparative data shows that Ceredigion improved in 52%... of the national indicators and 20… were in the upper quartile… Good performance has also been reflected in the recent A level and GCSE results, which reflects the priority given to education in Ceredigion. The results indicate that very high standards are being maintained in Ceredigion's schools with 99.2% being awarded A - E in A levels and 99.5% were graded A* - G – both better than the Welsh average.*

6.105 We do not wish to single out Ceredigion for criticism: based on the responses of others, these views and practices are widespread. However, such assertions say little about actual service standards or how they contribute to better outcomes. Being in a particular position relative to others in Wales does not prove that services are performing well, particularly if (as we showed earlier in this chapter) overall levels of performance across Wales are not strong. To quote Estyn's evidence again:
Many [local authorities] aspire to be above the Wales average on school performance…. Their own commentary on performance in their self- evaluations… often view being above the Welsh average in a positive light. The concern is that, too often, the Wales average itself may only be at an adequate level. Many [local authorities] are content with being adequate.
The Wales Audit Office concurred in a recent report:
We found that many authorities are unlikely to include a full suite of comparative information relating to their progress over time, against targets and in relation to the performance of other authorities unless it illustrates an improved position.[193]
That was echoed by the City and County of Swansea Council, who argued that,
[t]here is an over-reliance on comparisons within Wales. Policy divergence has led to even greater insularity which stifles learning and improvement.

6.106 Equally, aggregating performance indicators in terms like "X% of our indicators are improving / in the top quartile" is both dubious as an assertion of overall

[193] WAO, *ibid.*, p20

improvement (as it treats all indicators and all levels of improvement in them as being of equal weight, which they plainly are not), and obtuse from an accountability point of view (as it does not say which services are improving or by how much – or, conversely, which are not improving). In particular, such claims do not aid public scrutiny of performance, and accountability to citizens, in any meaningful way. Yet we received just such claims from across the public sector. As we noted above, there is certainly scope to improve benchmarking at a national level, and, until that happens, this sort of comparison may remain common. But overall, it is hard to escape a sense of insularity, complacency and mediocrity.

Poor data-sharing

6.107 Effective comparison and benchmarking is also hindered by the seeming reluctance of many public-sector organisations in Wales to share data about their performance and operations. Many of our respondents described the need to improve the ways in which organisations share information with each other. For instance:
We are poor and inefficient at sharing data between different public sector organisations. (Society of Local Authority Chief Executives, oral evidence)

[T]he LSB believes that more needs to be done to enable relevant and appropriate data sharing between LSB partners for the purposes of local planning. Clearer support and guidance on this matter would facilitate and enable greater collaboration between partners. (Carmarthenshire Local Service Board)

One area where improvements could be made to help facilitate greater collaboration is around information sharing where changes are needed to enable the sharing of information and improve our services. (Vale of Glamorgan Local Service Board)

There are ongoing… barriers regarding information use. At an operational level, for example, patient care may be compromised because of a lack of integrated patient information systems for clinical use. For example, Ambulance paramedics arriving at a person's home are unable to access patient records. These are real, ongoing obstacles to health and service improvement. (Welsh NHS Confederation)

There is a vast amount of performance data available (Wales Data Unit, Community Safety Partnership Performance data based on iQuanta, Probation data, Drug Interventions Programme (DIP), Criminal Justice system data) – but not always used effectively due to issues of data sharing. This is not insurmountable but needs some consistency. (Police and Crime Commissioner for Gwent)

Public service bodies across Wales hold a wealth of information but… there is still some

anxiety and reluctance to actively share data. [We] support the development of a balanced, consistent approach to data sharing which recognises the need for privacy… but assists in the sharing of data for the public good. (Association of Chief Police Officers)

There is the opportunity for a more joined up approach to data collection, analysis, storage and publication across the public service in Wales. (Natural Resources Wales)

6.108 The current problems may be either cultural – in the sense of organisations being over-protective and unwilling to share their data with others – or technical, in that their ICT systems are incompatible, particularly in allowing secure transfer of sensitive or personal information. As an extreme example of that, we heard anecdotal evidence that it remains common practice for health and social care workers to exchange by fax sensitive information about children at risk of harm. This is because their ICT systems do not support secure data transfer – but fax is hardly a secure (or efficient) medium either.

6.109 We address the technical aspects of this in Chapter 4 and the cultural aspects in Chapter 5. Either way, though, the result in performance management terms is that organisations do not have access to the data and information they need, either to plan and deliver front-line services effectively or to benchmark their performance properly and meaningfully.

Selectivity

6.110 Finally, we received some evidence of organisations being selective in what they chose to report, favouring data that presented their performance in the most positive light possible. All of the major regulators stated that this was a recurring problem. For instance, the Auditor General has reported that

It is clear that the more candid an authority is about its performance, the more helpful the engagement with the public can be. We have noted some examples of a less-than-candid approach in some elements of public reporting. We reported that one council: 'Includes the key risks it has identified but these are sometimes 'hidden' by the success stories.'[194]

In her evidence, the Chief Inspector of Education and Training said:

The way in which [local authorities] present data on performance…is sometimes misleading. The choice of data-sets may be selective [and] may quote a high ranking position even though the difference between those that are at the top or in the middle of a scale may be extremely small.

In her oral evidence to us, the Chief Inspector of Social Services noted that adverse

[194] *Ibid.*, p24

data and findings were sometimes not reported at all, even when this was a legal or regulatory requirement.

6.111 This may partly be a product of current national performance management systems. As we noted, the sheer volume of data available create duplicate measurements for the same services. In those circumstances, organisations need to choose which data to use, and it is unsurprising that some choose the most favourable. Again, though, this also reflects organisational cultures and values that appear not to take performance management as seriously as they should. Seeing it simply as a promotional exercise for selective good performance is, at best, superficial and, at worst, self-defeating or even misleading.

6.112 Overall, and while recognising that good practice does exist, we believe that organisations too often neglect to give performance management the priority it deserves. It sometimes appears to be seen as a tedious corporate compliance exercise – collecting and reporting data for the sake of it, or to emphasise good performance only – rather than a means for driving improvement across an organisation and informing accountability to citizens and scrutiny mechanisms. While some of this can be attributed to the problems with national-level arrangements we described earlier, there is a clear need for improvements in organisational practice too.

Better continuous improvement systems

6.113 Performance management is at its heart a simple process, which is, or ought to be, fundamental to how any organisation functions, especially if it aspires to being a high-performing organisation as we described in Chapter 5. In essence, it requires organisations to do only the following:

- Determine their priorities or objectives;
- Identify means of measuring the delivery of objectives, informed by effective benchmarking;
- Use those to monitor progress in doing so, again including benchmarking against others;
- Take action (such as redeploying resources or changing delivery practices) if monitoring reveals inadequate progress;
- Report progress openly to those to whom the organisation is accountable; and
- Re-evaluate priorities and measures in light of the above.

6.114 That simplicity has, though, been masked by the national arrangements and local practices currently in force. They have made performance management needlessly complicated, specialised and ineffective. The reforms we recommend in this chapter

and elsewhere in our report will help to overcome that; but all public sector organisations need to ensure they take advantage of that, and develop systems that allow them to undertake effective and consistent performance management.

6.115 There are many specific approaches and tools available for organisations to adopt in this regard. For instance, the Welsh Government has in recent years advocated the Results-Based Accountability (RBA) model developed by the American management writer Mark Friedman. This certainly has its strengths, notably in how it makes a clear distinction and connection between outputs and outcomes (or "performance results" and "population results" in RBA terminology). Public Health Wales has promoted a simpler performance management system around a cycle of "plan – do – study – act" to drive improvement in its 1,000 Lives Plus programme. Ultimately, though, it does not matter exactly which internal performance management model an organisation uses, as long as the organisation is wholly committed to using it consistently and effectively. We certainly would not discourage organisations from using RBA (or any other particular approach) if they wish. But we would not support its forced adoption either. That can only increase the risk of performance management becoming a compliance-driven add-on to an organisation's core business.

6.116 However, there would be clear benefits to organisations that routinely collaborate – for instance on the same local service board – in having a similar approach to managing and measuring performance. That would be bound to help the pursuit of shared outcomes and the exchange of performance information.

6.117 **We therefore recommend that:**

- **Each public organisation should adopt and implement a single, robust and effective means for measuring, managing, improving and reporting their own performance, including appropriate ICT systems. Auditors and inspectors should routinely verify the existence and effectiveness of this; and**
- **Organisations that routinely collaborate at a local level, and the partnerships they establish, should adopt compatible performance management techniques.**

Better mainstreaming

6.118 We have noted a risk that performance management is seen as an unduly technical or specialised activity. That may, in particular, mean that it is undertaken by corporate centres only, and/or only to comply with legal and regulatory duties. Doing so misses the fundamental purpose of improving front-line services. That requires performance information to support activity at all levels of an organisation, and to be mainstreamed into how individuals and teams work. It cannot just be seen as a statistical exercise, or a data processing system. As a senior chief executive from

England put it to us in personal evidence, “performance management is all about people and relationships”: that is, it is about using information intelligently to inform decisions by leaders, managers, teams and individuals within organisations. For that to happen, it needs to be reflected in cultures, values and behaviours as well as formal systems.

6.119 We were impressed by evidence from two different sources about how they achieved this. Firstly, and in a non-devolved context, oral evidence from Wales’s police forces noted how data about likely sources of crime were clearly and effectively deployed on the front line, meaning that an individual officer “knows whether to turn left or right on leaving the police station”. Doing that requires both a clear overall sense of purpose and the ability to collate, analyse, distil and communicate information in ways that are useful to those charged with front-line delivery. That is not just about a sophisticated data analysis system; it also relies on a culture throughout an organisation that values and sustains the use of evidence in this way. Our recommendations in Chapter 5 are again relevant here.

6.120 Second, Denbighshire County Council described to us how their performance management system applied to and engaged with staff. All staff, from the chief executive to front-line workers, participated in helping to set the Council’s objectives, which in turn framed their own performance objectives and appraisals. The chief executive is directly accountable for delivering on all the Council’s priorities, which in turn shapes objectives for the Council’s executive and senior management team. The result is a clear sense of common purpose between staff at all levels and councillors. It also means the Council’s service performance management systems are closely aligned to the day-to-day work of its staff. This notion of aligning individual objectives to corporate ones is of course not new: it forms the basis of schemes such as Investors in People. But it is rare to see it so well integrated with the business of strategic and operational performance management.

6.121 **We therefore recommend that:**

- **All public service organisations must empower their staff to help define corporate and service objectives, the means of measuring them; and should use that to frame the objectives of teams and individuals; and**
- **As part of their commitment to continuous improvement, all public service organisations, must seek to foster a culture and set of values that support the intelligent and informed use of performance information by staff at all levels.**

Better comparing, benchmarking and reporting

6.122 We have seen that benchmarking and comparing performance is not strong at either the national or organisational levels. While it can be frustrated by a lack of available data, and by differences between the data that are available, it remains a powerful driver of improvement if done well. This is not a matter simply of performing better than other organisations, or holding a particular place in a hypothetical league table; it is about comparing one's performance with others to identify the scope to improve and the means (such as different delivery mechanisms) which might yield such improvement. That in turn demands a capacity and willingness to share, analyse and draw meaningful and honest conclusions from comparative data.

6.123 At present, that capacity and willingness is at best patchy. The recommendations we have made in this chapter and elsewhere in this report will help to address that. But we believe that consistent and robust action is needed at an organisational level to mirror the recommendations we have made about national-level benchmarking above. **We therefore recommend that, as part of their performance management and improvement systems, all public-sector organisations must by the end of 2014:**

- **Clearly identify valid and relevant benchmarks for the performance of their services, within and beyond Wales;**
- **Compare their performance regularly and reliably using those benchmarks;**
- **Use the results to identify under-performance, scope to improve in both output and outcome terms, and the means of doing so; and**
- **Report the results of this analysis clearly and publicly, including to those charged with formal scrutiny.**

6.124 Reporting data intelligently and effectively is a critical part of good performance management. Unless performance data, its meanings and its implications are transparently presented to those responsible for decision-making or holding decision-makers to account, it will again become a simple and largely pointless measurement exercise.

6.125 Effective performance reporting to decision-makers is clearly important within an organisation, whether to team leaders, managers, boards, executives or similar. However, that is largely a product of a sound performance management system (see above); if that is in place, then an organisation's normal processes of internal reporting and accountability ought to see to the rest.

6.126 Reporting performance to citizens, scrutiny committees and others to whom organisations are accountable is much more difficult. Such groups typically have less expertise in interpretation of data and less awareness of the detail of an organisation's

services and operations. Yet, unless they are properly engaged in understanding performance, they cannot effectively hold organisations to account or apply pressure for change. If that does not happen the 'visible hand' of performance improvement cannot work effectively.

6.127 We know from the recent National Survey for Wales that there is an unmet public appetite for more and better information about how public services perform, and for using that to influence decisions that they make. For instance, only 24% of those surveyed agreed (and only 5% strongly agreed) that "I am kept informed about how well my local health services are performing", and only 14% agreed (2% strongly) that they could influence decisions about local health services. The position as regards local government was better, with 41% agreeing (9% strongly) that their local authority was good at letting them know about performance. Nonetheless, 53% wanted more information and 44% wanted to be more involved in local authority decisions.

6.128 That was corroborated in the evidence we received. The Auditor General observed in his evidence that,

[T]he requirement [in the Local Government (Wales) Measure 2009] *for councils to report their performance annually has significantly driven up the standards of performance reporting by councils. While we find that many councils are selective in emphasising positive results, the information is much more accessible than in the past and the quality and balance is moving in the right direction. In the NHS, it is much more difficult for citizens to see how well local services are performing. Often the information is available but requires careful searching through board papers or through statistical datasets.*

6.129 That deficiency in the NHS has been partly remedied by the decision to publish risk-adjusted mortality index (RAMI) scores and other patient data via annual quality reports and the recently launched national website mylocalhealthservice.wales.gov.uk. That is a welcome initiative, although it has taken far too long and must go further. Nor is it replicated at health board level. To choose one at random, a recent public performance report by Cwm Taf Local Health Board [195] consists of a single page containing monthly data for over 30 performance indicators with no narrative and no explanation of some highly technical measures of medical and surgical performance. Citizens are left guessing what, for instance, "Emergency Ave LOS – Orthopaedics" means as a measurement, never mind what the data reveal about the health board's performance.

[195] http://www.wales.nhs.uk/sitesplus/865/opendoc/208065&0DAA817E-98C0-2C43-DE5829A851200D48

6.130 The data which NHS bodies publish must be accurate, accessible, timely, understandable and comparable. Such data should be published monthly or certainly on a quarterly basis; and should be cumulative so that users can see how their board or trust compares and improves with others over time and is affected by seasonal factors. Finally, it must not be restricted to acute care but must cover all the services provided by boards and trusts including primary, community, mental health services and public health.

6.131 Accurate, comprehensive and comparable performance data are also essential for non-executive directors, CHCs and local authorities (when they discharge their new scrutiny role) to hold health providers to account effectively. In these cases, the data must clearly identify any disparities, variations or trends in performance which may suggest underlying problems of quality or delivery. For instance, the data need to show if the quality of care is any different over the seven days of the week.

6.132 **We therefore recommend that, by the end of 2014:**

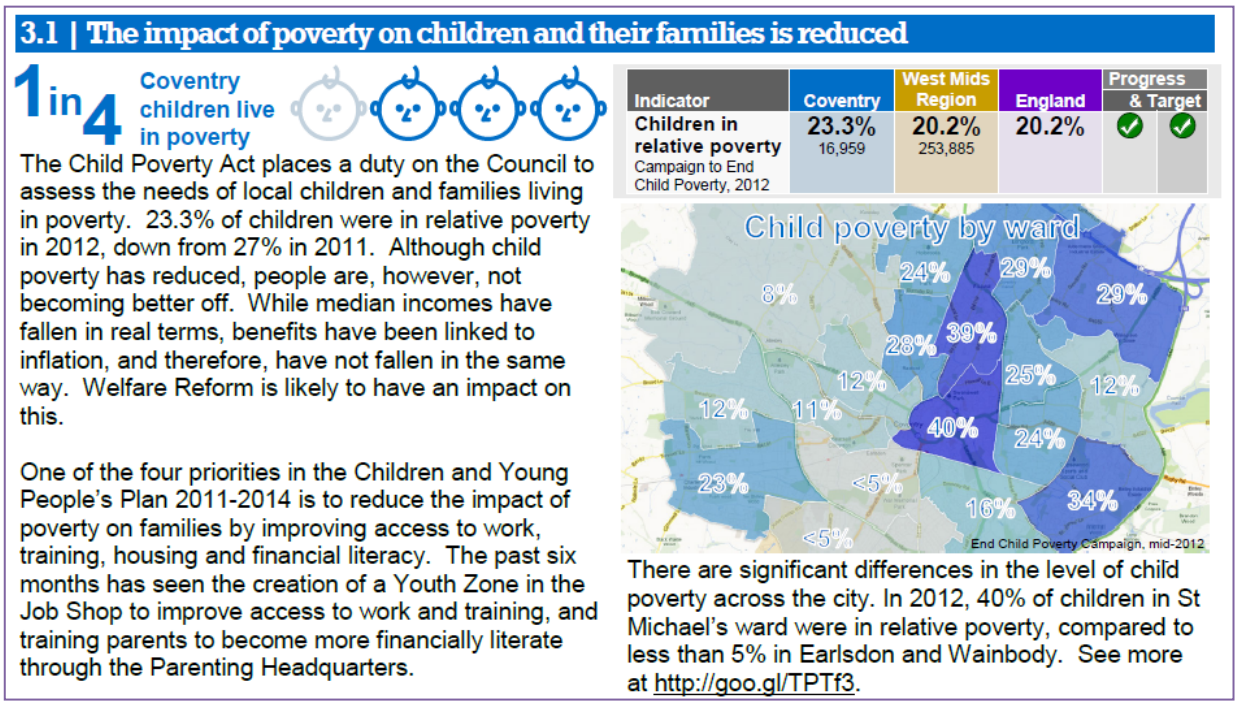
- **All LHBs and NHS trusts must review and reform the performance information they collect and publish, to include the totality of health services rather than just acute care;**
- **This must increase transparency and accountability to patients and the wider public; and ensure that those charged with scrutiny have comprehensive information allowing them to identify possible underlying problems of quality, safety or delivery; and**
- **The Welsh Government must oversee these changes as part of the wider reform of national performance management. It must also publish a similar range and quality of information nationally, via mylocalhealthservice.wales.gov.uk and other suitable channels.**

6.133 While there are particular problems with communicating NHS data, there is an essential general point too. Meeting public and similar needs for information to support accountability demands tailored and effective communication. It is certainly not enough simply to reproduce technical or specialised data that non-experts are unlikely to understand. Data must be clearly explained, placed in context, compared to performance elsewhere and over time, and related to users' rights, entitlements and experiences; particularly good or bad performance must be highlighted and described in honest and balanced terms. Without that transparency and accessibility, there is no realistic chance of citizens and others effectively holding service-providers to account.

6.134 Some respondents to our public engagement reported their significant frustration in this area. For instance:

Data is extremely difficult to access for most of the public sector. Local authority websites can be excellent but NHS and Assembly data is much more difficult to penetrate (Colwinston Community Council).
Information is not available in a format for most people to understand and gain any useful information from (Cllr John Spanswick, Bridgend County Borough Council); and *you need an understanding of how things work to access the information* (Resident of Whitland, Carmarthenshire).

6.135 We recognise that there are examples of good practice. Both Carmarthenshire and Anglesey councils were commended by the Auditor General for their efforts in performance reporting and engaging the public in performance management.[196] We were also impressed by a good-practice example from England. Coventry City Council's annual performance report[197] is both comprehensive and accessible, covering a wide range of performance and outcome information in an honest, transparent and user-friendly way, and including comparisons across the city and with other areas. An extract is below.



3.1 | The impact of poverty on children and their families is reduced

1 in 4 Coventry children live in poverty

The Child Poverty Act places a duty on the Council to assess the needs of local children and families living in poverty. 23.3% of children were in relative poverty in 2012, down from 27% in 2011. Although child poverty has reduced, people are, however, not becoming better off. While median incomes have fallen in real terms, benefits have been linked to inflation, and therefore, have not fallen in the same way. Welfare Reform is likely to have an impact on this.

One of the four priorities in the Children and Young People's Plan 2011-2014 is to reduce the impact of poverty on families by improving access to work, training, housing and financial literacy. The past six months has seen the creation of a Youth Zone in the Job Shop to improve access to work and training, and training parents to become more financially literate through the Parenting Headquarters.

Indicator	Coventry	West Mids Region	England	Progress & Target
Children in relative poverty Campaign to End Child Poverty, 2012	23.3% 16,959	20.2% 253,885	20.2%	✓ ✓

There are significant differences in the level of child poverty across the city. In 2012, 40% of children in St Michael's ward were in relative poverty, compared to less than 5% in Earlsdon and Wainbody. See more at http://goo.gl/TPTf3.

6.136 It is beyond the scope of this report to set out in detail how performance should be communicated to citizens, scrutiny committees and others. However, doing so is critical if public sector organisations are to be properly accountable, if the 'visible hand' of transparent performance reporting is to be effective, and if areas for

[196] Wales Audit Office September 2013. *Local Improvement Planning and Reporting in Wales*.
[197] http://www.coventry.gov.uk/download/downloads/id/9703/council_plan_2011-2014_201213_end_of_year_performance_report_9_july_2013

improvement are to be identified and pursued. **We therefore recommend that by the end of 2014-15, the Welsh Government, in consultation with service-providers and major regulators, must formulate principles and standards on performance reporting to apply across the public sector in Wales.** They should also apply to the Welsh Government's reporting on delivery of national outcomes.

Summary and conclusions

6.137 We have proposed many changes to how performance should be managed at both national and local levels. These are all aimed at streamlining and simplifying the highly complex, fragmented and ineffective systems that exist now; and will entail significant change by the Welsh Government, by local service boards and by individual organisations. In summary, we propose a single, integrated performance management framework across the Welsh public sector, which provides a clear line of sight from front-line delivery to high-level national outcomes set by the Welsh Government; and a range of responsibilities for defining, using and reporting data, which we summarise in the table below. We have also included, in the final column, a hypothetical worked example showing how different categories of performance information could and should relate to each other.

6.138 Part of the reason for the fragmented current arrangements may well be that these systems have evolved in isolation from each other. As we have seen, national performance management in the NHS differs markedly from that in local government; and, within each part of the public sector, there is no necessary connection between national and local arrangements and systems, or between different local ones.

6.139 It will be important to correct that. While there are obvious differences between the exact types of performance data that, say, the Welsh Government, a local authority and a health board collect, use and report, the ways in which they do so should be standardised. That equally points to a common and consensual approach across the public sector to developing, implementing and maintaining the new arrangements that we have proposed. We urge the Welsh Government and other public bodies to proceed accordingly.

Summary of proposed performance management roles and responsibilities

	Category	Type of measure	Application	Definition	Use	Reporting / accountability	Periodicity	Hypothetical example
Few standard measures	Strategic outcomes	Outcome	Wales-wide	Welsh Government	Welsh Government in monitoring and securing outcome attainment	Welsh Government to National Assembly for Wales and public	Long; attainment over course of Assembly term and beyond	Support more older people to live independently
	Contributory outcomes	Outcome and output	LSB members and areas	Welsh Government in agreement with LSBs, supported by national targets & incentives	Welsh Government and LSBs in monitoring and securing outcome attainment	LSBs to Welsh Government, PSLG, scrutiny and public	Medium to long; annual monitoring & reporting but recognising long-term nature of many outcomes	Reduce local rate of delayed transfers of care to X‰ Reduce local rate of hospital admissions to Y‰
	Service measures	Output and process	Class of service-providers (local authorities, LHBs, etc.)	Service-providers, in agreement with Welsh Government & regulators, supported by local / internal targets	Service-providers in managing output improvement and contributing to outcomes	Service-providers to LSBs, regulators, scrutiny and public	Short to medium: formal annual reporting supplemented by in-year monitoring, scrutiny and corrective action	Reablement service removes dependence on care for X% of users Average length of hospital stay reduces to Y%
Many diverse measures	Programme indicators	Process and input	Individual services and programmes	Service-providers in co-production with users and communities	Service managers in designing, implementing and monitoring tailored delivery programmes	Service managers internally and to scrutiny; basis for co-productive dialogue	Short and ad hoc: continual monitoring of service and programme effectiveness and impact	Capacity & uptake of, and satisfaction with, specific facilities or programmes (eg extra care, fall prevention, health checks)

Chapter 7: Our Diagnosis - Systemic Challenges, Systemic Solutions

Introduction

7.1 In the previous chapters of our report, we set out the evidence about governance and delivery in the Welsh public sector, and our analysis of that evidence. This chapter draws together our findings into a single diagnosis of the weaknesses of the sector as it is. In particular, it explains how, in our view, the issues we have identified operate as negative circles which must be broken if the Welsh public sector is to confront the challenges ahead successfully.

7.2 Our diagnosis may read like an overall criticism of the Welsh public sector, of the organisations within it, and of their leaders and staff. We want to be absolutely clear that we intend no collective or individual criticism. We recognise the widespread commitment and passion in those in public service; they are not to blame for the wider challenges that the sector faces. It is the evidence and views of many of those in the sector that have informed our report.

7.3 We have already described the challenges that the public sector faces. There is severe and sustained pressure on public sector budgets; indeed, as we were completing our work, the Institute for Fiscal Studies warned that spending cuts could accelerate following the UK Government's Autumn Statement.[198] There are also fundamental and long-term changes in service demand due to birth rates, people living longer and dispersed family groups, and an increase in public expectation for quality services. For public services to meet the needs and aspirations of their local population these challenges must be recognised and addressed. As we said in our introduction, the only viable way for that to happen is to shift the emphasis of public service towards co-production and prevention: designing and implementing solutions which sustain long-term wellbeing and which prevent rather than respond to critical situations. This in turn can only be done in a spirit of partnership with citizens and communities themselves.

7.4 The problems confronting the Welsh public sector and the need to make this change are shared by other public sector systems across the developed and democratic world. Other governments are therefore embarking on the same broad approaches to reform

[198] See 'opening remarks' by Paul Johnson from the IFS autumn statement 2013 briefing http://www.ifs.org.uk/projects/423

as we recommend in our report.[199] To recognise serious systemic problems and the need for radical change like this is a sign of maturity and strength, not of weakness or failure.

Our findings

7.5 Overall, we have concluded that:

- **The public sector is too crowded and too complex to cope with the severe pressures that will continue to be placed on it.** There are too many public organisations, and their interrelationships are too complex. This is true both of formal structures and their inter-relationships, and less formal partnerships and collaborative arrangements;
- **Many public organisations in Wales are too small**. While some of them may perform well (and some large organisations may perform badly), the smaller ones face multiple and severe risks to governance and delivery which are likely to get worse in the medium term;
- **Many organisations are slow to respond to pressure for change.** Their internal governance arrangements and those of partnerships are often ambiguous and inadequate; and public engagement, audit and formal scrutiny are only sporadically effective at best. As a result, innovative means of delivery and operational good practice are slow to spread;
- **Values and cultures within the Welsh public sector are not aligned to meet current and future challenges.** Too often they allow parochialism, defensiveness and insularity rather than innovation, flexibility and responsiveness. And while there is some very good leadership within the public sector, not enough is being done to recruit or retain good leaders, or to identify and develop the leaders of the future; and
- **The performance of our major public services is poor and patchy**, and certainly not adequate to meet the challenges ahead. Equally, the way in which the public service manages performance can lack ambition and is unnecessarily complex. Change is needed to sustain accountability and drive improvement.

7.6 The problems are systemic. They affect the whole of the public sector, and must be understood and addressed accordingly. **There must be no sense of individual leaders, organisations or parts of the public sector believing they can opt out from reform, that their current performance is 'good enough' or that the real problems lie elsewhere**. A commitment to change at all levels across the public sector will be vital to overcoming these problems, and all in the public sector have a stake in doing so. Likewise, the Welsh Government and the National Assembly for Wales need to

[199] See, for instance, Wallace, J. *et al.* 2013 *Weathering the storm? A look at small countries' public services in times of austerity* Wales Public Services 2025 / Carnegie UK Trust.

approach the necessary policy and legislative changes systemically and comprehensively. **We do not believe they should address some weaknesses but not others, or pick and choose among the recommendations we make**.

Design and structural problems

7.7 We consider that the problems we have identified are inter-related. At present, they exist in mutually reinforcing ways, creating a situation that cannot be addressed by piecemeal or marginal reform. These inter-related issues are as follows.

7.8 Firstly, the design and structure of the public sector creates and exacerbates wider problems of governance and delivery:

- As we described in Chapter 2, the Welsh public sector is over- crowded. Relationships within it are highly complex, whether in terms of formal accountability, funding, regulation, policy implementation, scrutiny or otherwise. Collaboration and partnership working, is widespread but often lacks strategic coherence - so it simply adds to that complexity.
- As Chapter 3 explains, a corollary of that over- crowding is that many organisations are too small. That creates severe risks in terms of capacity, leadership, governance, flexibility, resilience and cost, which will not be manageable in the medium to long term. They also exacerbate the burdens of complexity.

7.9 These problems are at the heart of our conclusions. They must be addressed as a precondition for sustainable and successful change. But simply doing that would be nowhere near sufficient. Wider reform of the public sector must also address the consequences that these design and structural problems have had for how public-sector organisations operate. Those problems are equally severe, and structural change alone will not solve them.

Organisational problems

7.10 These design and structural issues mean that those within organisations have insufficient space, time or capacity to function well and strategically. Too often, organisations and their leaders are drawn into negotiating and managing the complexity of the system, by responding to multiple demands, policy changes and accountability pressures, or managing relationships with multiple partners. This consumes scarce leadership and management resource – especially in small organisations – and can easily inhibit delivery of consistently high-quality and responsive services.

7.11 In particular:

- There are multiple and complex accountability, funding and reporting channels (e.g. to the Welsh or UK Government, partnerships, scrutiny and regulatory bodies) within the Welsh public sector. Managing and responding to these is a significant task in itself, in particular when they pull an organisation in different or conflicting directions. As organisations must devote so much effort to reporting, responding and managing relationships, they do not have enough left to identify and anticipate genuine pressures and opportunities for change; and innovations and good practice are slow to spread as a result. A lack of corporate capacity further exacerbates this tendency;
- Complexity also undermines effective performance management. As we described in Chapter 6, all organisations have to comply with legal, policy and regulatory requirements in this area. These requirements are multiple, incoherent and sometimes conflicting. Some organisations may have managed to create a coherent, locally-owned and robust performance management system, but they appear rare. The default position is one of compliance with national-level requirements. That yields a wealth of data but no clear sense of strategic focus or ownership. It also creates a significant data collection burden for no great benefit, for operational management, service improvement or outcome attainment. This means there is no 'visible hand' driving improvement: organisations risk not having a clear picture of how well they are performing, and citizens are unable to hold them to account effectively; and
- Overall, the structural weaknesses of the public sector tend to mean that the organisations within it are running to stand still. The pressures created by scale and complexity, and the interrelationships that must be managed, mean that the focus within the organisation is all too often only on the core business of routine service delivery with unwanted consequences for public sector cultures and behaviours. As Chapter 5 explains, these can become insular, defensive and risk-averse; there is insufficient capacity to establish and sustain more positive and innovative cultures; or to engage staff at all levels in setting objectives and using data to improve front-line delivery. Furthermore, the emphasis on process compliance and assurance through multiple accountability channels actively if inadvertently deters such innovation. It is easier to stick to established ways of working and to demonstrate compliance than to innovate and risk criticism. While strong leadership can effectively address this, such leadership is spread too thinly across a high number of public-sector organisations.

7.12 These problems are interdependent and mutually reinforcing. For instance:

- A performance management system that does not produce transparent and relevant information sustains poor governance and accountability, and creates a lack of challenge to improve delivery. This helps to reinforce cultures and behaviours which emphasise continuity, insularity and risk aversion;

- Weak internal governance and external scrutiny and accountability mechanisms limit the pressure to improve performance and how it is managed. They also sustain complacent, insular and risk-averse cultures, as there are inadequate drivers of change; and
- Organisations which are characterised by such cultures will tend to ignore, downplay or overlook needs or opportunities to innovate and improve their performance and governance.

7.13 In short, the structural weaknesses within the Welsh public sector risk creating an environment in which organisations cannot or will not consistently improve their governance and service delivery: they have neither the people, nor the processes, nor the systems to do so. Instead, they can become caught in a cycle of weak performance management, passive governance and risk-averse cultures – a cycle which once established may prove difficult to break from within.

7.14 We do not believe that these weaknesses apply to all public-sector organisations. We received evidence which showed that some were well-led and managed, and had largely succeeded in avoiding many of the problems. Yet all organisations are subject to the pressures described, and for as long as the public sector is structured and managed as it is, there are serious risks of the problems continuing to occur or occurring for the first time. We believe such problems go some distance to explaining the number of serious governance failures, and Welsh Government interventions, in recent years, as well as the 'poor and patchy' levels of performance that we described in Chapter 6.

Feedback loops

7.15 The problems we have described have also tended to prevent effective and systemic change to public-sector governance and delivery, or challenge to current ways of working. There are two reasons for this.

- Many delivery organisations are hamstrung by the combination of problems we described above. Just as they lack enough space or capacity to address their own strategic challenges, they are also unable to consider and challenge effectively the systemic issues which we have identified in this report. Much of the evidence we received from service-providers showed that they were struggling to make the system work as it is: while they recognised its underlying flaws, they had not attempted to challenge them. A regular comment was that there were insufficient opportunities for discussion of common strategic challenges and objectives, and

those that did exist were frequently taken up with issues of detail and managing specific programmes[200]; and

- The Welsh Government is of course an integral part of the public sector system. It is subject to the same pressures that the system design creates. The same need to manage complex relationships – and the impact that has on governance and culture – again appears to inhibit broad-based and systemic change. For example, a common response of the Welsh Government in recent years to problems of scale and capability, and to overlapping organisational remits, has been to recommend or prescribe collaboration between service-providers. In principle that is entirely reasonable, but, as we saw in Chapter 2, that has sometimes been piecemeal and incompletely thought through. Equally, the Welsh Government has responded to issues of poor and patchy performance by setting new specific targets or imposing new detailed requirements on a blanket basis. In that sense, national policy responses can add to overall complexity, and risk exacerbating the problems they seek to solve.

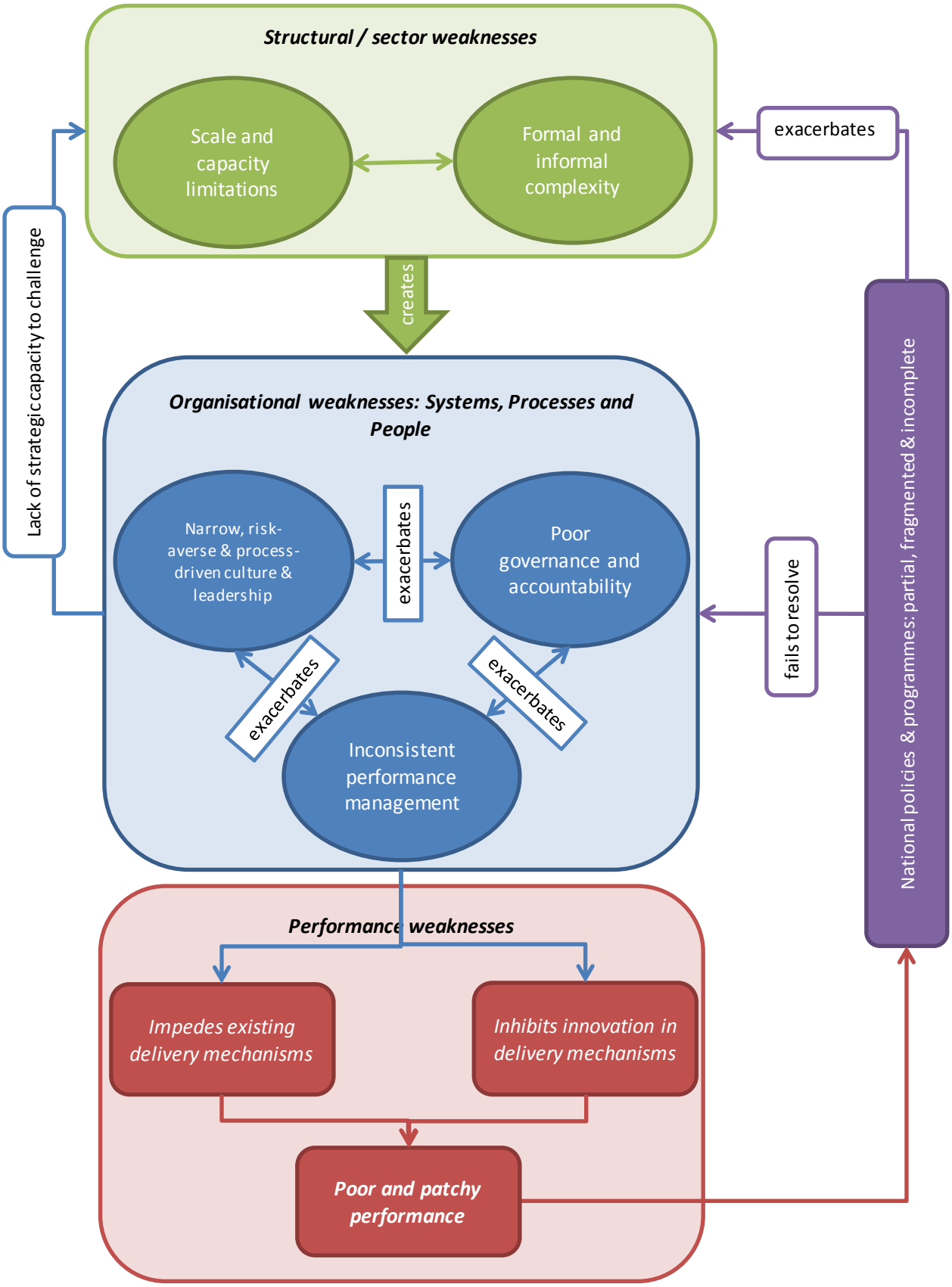
Summary of the problems

7.16 Overall the Welsh public sector seems to be in a position where:

- **The design and structure of the public sector entails over-complex relationships between too many organisations, some of which are too small;**
- **That creates and sustains significant weaknesses in governance, performance management and organisational culture, or at least carries a significant risk of doing so;**
- **Those weaknesses are mutually reinforcing and difficult to break from within;**
- **The consequence is poor and patchy performance because delivery mechanisms improve too slowly and inconsistently, and because there is no 'visible hand' driving improvement;**
- **Strategic dialogue around reform of the system is sporadic and does not support the necessary shift towards co-production and prevention; and**
- **National policy initiatives may inadvertently compound the underlying problems they seek to solve.**

[200] For instance oral evidence at the North Wales Regional Leadership Board, 19 July 2013.

7.17 These problems form a self perpetuating circle which is demonstrated in the diagram below.



7.18 It would be wrong to claim that one diagnosis applies uniformly to the whole public sector at all times. As we said, some organisations have managed to avoid its worst effects; and many have done well to manage within severe financial pressures so far. The point is not that the current arrangements lead uniformly to poor governance and weak delivery, but that they tend to do so. They create risks and pressures to which the typical public sector organisation will all too readily succumb, and which, given their interconnectedness, are hard to escape from within.

7.19 Furthermore, **those risks are bound to increase as the twin pressures of austerity and demographic change continue to bite**. Those pressures will not only mean that in the reasonably near future there will be insufficient resources to meet growing demand for services. They will also compound the systemic problems we have described, in that they will increase the need to manage routine delivery and the sense of organisations running to stand still. **In other words, as time goes on the self-perpetuating weaknesses we describe are very likely to grow stronger and harder to address.**

Urgent and radical action is needed before it is too late.

Redefining the public sector

7.20 The overall aim has to be much more than simply making the public sector marginally better at what it does now. Surviving long-term financial pressures and demographic change demands much more than merely securing greater marginal efficiencies from the current system of public service provision. That will not be nearly enough; at best, it would only prolong the inevitable.

7.21 Instead, and as we described in Chapter 1, the basic purpose and nature of public service needs to be redefined. The key features of that redefinition are:

- A clearer shared vision and sense of common purpose between government at all levels, citizens, and communities;
- A much greater focus on co-production with citizens and communities to identify and implement means of pursuing those outcomes; and
- Consequently, a much stronger emphasis on enablement, empowerment and prevention in the design and delivery of public services.

7.22 As has been recognised in several other countries around the world, this is the only way of sustaining viable and high-quality public services. No public sector system can continue to meet growing levels of demand for high-cost responsive services from declining real resources; the emphasis has to shift to reducing demand for such services through prevention and co-production. Even if those pressures did not exist,

there would be a strong case in principle for making this kind of change and reconnecting government and public service more intimately with those that they serve, particularly in a small country. Ageing populations and shrinking budgets make that case absolutely unarguable.

7.23 Such change can only occur if there is the space to develop it, the systems to manage it, the leadership to drive it and the values to sustain it. In other words, it can only happen if the broad and deep reforms to public service governance and delivery which we have advocated in our report happen. **We have absolutely no doubt that without these reforms the Welsh public sector will be unable to redefine public service as it must.**

Breaking the cycle

7.24 To achieve that fundamental shift, we have proposed in our report a complete overhaul of how public services are governed, led and delivered. Earlier in this chapter we described a cycle of inter-related and mutually reinforcing problems and weaknesses. Our proposals aim to break the cycle at every point:

- Firstly, **we propose that the complexity of the public sector is reduced** by simplifying accountability, removing duplications, streamlining partnerships, making much better and more selective use of collaboration, and maximising the synergy between organisations, including service delivery and 'back-office' functions;
- Second **we propose that the capacity of local authorities is increased** by mergers between those that exist now. That will combat the problems of small scale, and facilitate service integration and partnership working;
- Third, **we propose a range of measures to strengthen governance, scrutiny and accountability**. These include making governance less ambiguous and more robust, and making scrutiny more effective and more complementary with other accountability mechanisms. Taken together these make organisations more responsive to change, and will mean that scrutiny and accountability drive improvement effectively. That will lead to more scope for service-providers to work co-productively with citizens and communities to improve individual and collective wellbeing, rather than just responding to problems when they arise;
- Fourth, **we propose new and more coherent approaches to leadership**, to recruit the best, develop the leaders that we have and identify their successors. **We also suggest that organisational cultures should be united around a shared, collaborative and citizen-centred set of public service values** rather than narrow organisational objectives;
- Fifth, **we propose new and more streamlined approaches to performance management**. This will create greater clarity of purpose for Individuals and organisations through a single and concise set of national outcomes, with local

partnerships and organisations feeding in to them, and supported by unambiguous international benchmarks. This would reduce complexity, increase clarity and avoid confusion; it would foster a sense of shared purpose in public service, while also allowing service providers the flexibility to meet the needs and priorities of those they serve. Overall, it would create an effective 'visible hand': driving improvement through accountability for performance expressed in transparent and unambiguous ways; and

- Finally, mainstreaming and improving the use of data and digital ICT is an integral part of our programme of change. This will improve the planning, management and delivery of services, and thus release public expenditure to protect front-line jobs and services.

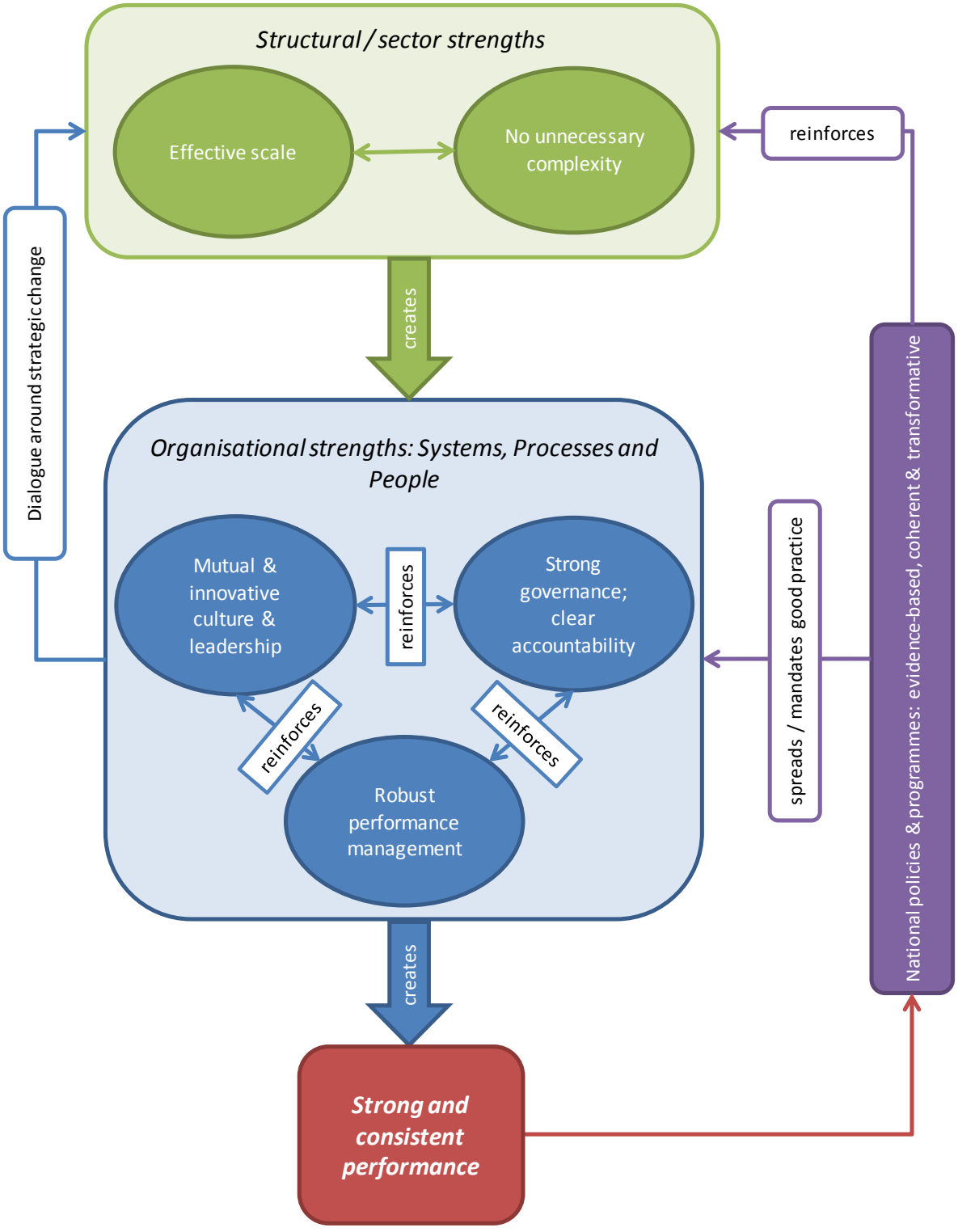
7.25 We do not underestimate the national and local challenges to implementing our proposals. **But we are clear that they need to be implemented, coherently, effectively and without delay**. Interlinked and self-reinforcing problems demand equally coherent and mutually supportive solutions. If only some proposals are implemented, some of the current weaknesses will remain. That would undermine those changes brought in and leave the self-perpetuating negative circle intact.

7.26 Our proposals **are designed to be mutually reinforcing and must be implemented as a whole.** There are three important dimensions to this:

- Our recommendations on the design and structure of the public sector – in particular on scale, complexity and national performance management – aim to free up capacity within organisations to address the needs and priorities of those they serve more effectively. They seek to create greater space to do that by radically reducing the need to devote time and resource to managing and navigating the public service system;
- Our proposals on organisational issues – governance, leadership and local performance management would enable public service organisations to use such strategic capacity effectively and consistently and support more effective and strategic dialogue around the reform of the public sector, not least in implementing the proposals in our report; and
- Finally, our recommendations about the role of the Welsh Government will ensure that it acts to sustain the other reforms including the provision of consistent strategic leadership, the spread of good practice and maintaining the space within which other organisations operate while no longer becoming involved in the detail of how organisations operate and collaborate, unless there is evidence of serious failure.

7.27 None of these dimensions of reform will work without the other two. There would be no point in creating space that leaders and organisations are incapable of using; and no

point in developing system leadership and shared values if those were frustrated by national policies and programmes which inadvertently promote short-termism and silo working. By contrast, implementing them together will create a self-perpetuating virtuous circle. In graphical form, it would look like this:



Implementing change

7.28 We believe we have set out a compelling case for radical change across the public sector. Our recommendations set out what the programme of change should encompass; and why we believe our recommendations should be implemented as a coherent package. In our view, this will entail the programme of change spanning some three to five years.

7.29 The programme of change must be implemented coherently and with pace, in order to establish mutually reinforcing solutions to the self-perpetuating problems the public sector faces. This must have strong leadership from the Welsh Government and the wider public sector. It will also need effective programme and project management, at national, local and organisational levels.

7.30 The details of such arrangements are a matter for the Welsh Government and the wider public sector. But the context and challenges we have described are without doubt the most serious issues the public sector has faced in modern times; and the significant changes we have recommended are equally the most vital and essential. That will require full engagement and commitment at the most senior levels across the public sector.

7.31 We believe that existing mechanisms should take this forward. As we mentioned in Chapter 4, the Partnership Council for Wales should generate and sustain political commitment and leadership for the programme of change; and the Public Service Leadership Group (PSLG) should have a co-ordinating role.

7.32 Strong governance and management will be just as important below that level: change cannot be allowed to drift or to happen in a piecemeal way; and accountability for delivering change must be consistently clear and unambiguous. Without that, the programme of change will fail. Many of our recommendations point to transformational change – to organisations, structures, systems and values – and will involve multiple partners working together. Those need to be managed and delivered by dedicated and high-calibre project managers and a programme board. Each project must have a senior and experienced project manager, responsible for delivering the key requirements on time and within budget. Many of our recommendations form projects which should be implemented in this way; in the order they appear in our report, they are:

- Integrating health and adult social care consistently and effectively; (Chapter 2)
- Merging Powys County Council and Powys Teaching Health Board ;(Chapter 2)
- Establishing a single Shared Services Organisation for the public sector;(Chapter 2)

- Restructuring local government by merging existing authorities, and enlarging community councils; (Chapter 3)
- Establishing and implementing a digital and ICT strategy for Wales ;(Chapter 4)
- Establishing a new public service leadership and development centre; (Chapter 5)
- Defining and implementing a new national performance framework. (Chapter 6)

7.33 We have set out indicative deadlines for the completion of these projects. We would expect the project boards also to define intermediate milestones, and to report regularly to the programme board on progress. But that should not inhibit earlier progress on a more local level by those with the vision and the will to take the initiative and help shape wider change. As we describe in Chapter 3, local authorities can do much now to align their structures and operations in advance of formal merger. On this issue, we believe those early adopters who are willing to make such a commitment should be supported and incentivised to do so.

7.34 Our other recommendations can be implemented through existing mechanisms. Many of them amount to practices or procedures which we believe should be uniformly adopted, rather than transformational changes. They should be implemented as soon as possible, without needing the same full project management approach. The programme board will nonetheless wish to monitor and drive progress in implementing these recommendations too.

7.35 Ultimately, though, it must be for the Welsh Government to ensure the reforms we have set out are implemented promptly, effectively and coherently as an interconnected package. We would expect the Welsh Ministers to make regular reports about overall progress, and for the Assembly to hold them to account for that in ways which reflect the critical importance of the changes being made.

Sustaining change

7.36 Our Commission was established to consider the current arrangements for public services in Wales and to propose a new model. We have made specific and significant recommendations throughout this report. They are transformational, not incremental, and must be approached as such. In particular, we are very conscious that the problems we have identified must not be allowed to re-emerge gradually or by stealth. The reforms we recommend must be sustainable and must be embedded not only in formal and structural arrangements, but in how policy-makers, legislators, regulators and service-providers think about the public sector and public service in the broadest sense; and how they approach future challenges and pressures. We have therefore sought to devise some principles which should continue to guide the arrangements for

the governance of Wales as these develop over time.

7.37 We concluded that these principles for public service reform should be:

- **Maintaining stability.** Reforms on the scale we propose should only be made once in a generation, and need time to bed down. There should be no further major changes to the governance or structure of the public sector for the foreseeable future, except only for any changes which might arise in consequence of amendments to the devolution settlement. The changes we propose are fundamental and sweeping. Implementing them will take time, even with robust leadership and programme governance. Embedding them and reaping the benefits will take still longer;
- **Ensuring simplicity.** Many of the problems we have identified stem from a tendency for the public sector to devise new mechanisms (such as partnerships, scrutiny structures, regulatory arrangements, grant schemes or performance regimes) to fulfil specific purposes or meet emerging priorities. It would have been and always will be far better to maintain a simpler and more coherent set of structures and practices, and to adapt them by consensus to accommodate such purposes and pressures. The first question should always be – how can we do this through an existing mechanism?
- **Building trust**. Too much energy and resource has been consumed by duplication, suspicion and friction between different parts of the public sector. Different parts of the public sector fulfil different roles: policy-making, funding, legislating, regulating and managing delivery. These must be clearly and consistently complementary, and underpinned by relationships of mutual trust and respect, built around a shared vision and a set of agreed priorities;
- **Fostering ambition.** All organisations in all sectors can always improve further and learn from others to help them do so. But any lack of trust means that organisations have too often been denied or not taken advantage of capacity to improve. Identifying the need for and participating in the process of improvement is a mark of confidence and strength not of weakness - in the public sector as elsewhere;
- **Respecting diversity**. Wales is a small and diverse country – geographically, socially and economically. Much of the public sector has to reflect and respond to that diversity, and to the varying needs, priorities and aspirations that it generates. It needs the space and flexibility to do so, and the expertise and judgement of those responsible must be respected. Where local choices are real and add value they should be reflected in local decisions. But standard services and processes need not and should not vary: that is unduly parochial and needlessly wasteful; and
- **Clarifying accountability**. Being accountable and responsive to citizens and communities is a fundamental principle of public service. But it has too often been compromised by over-complex responsibilities, obscure information and poor

reporting. There must be much greater clarity about which organisation or partnership is responsible for what, how well they have discharged that responsibility, and what can be done to challenge and change that. Only then will there be a consistent and effective 'visible hand' driving continuous improvement; and only then will the vision of a public service based on citizen engagement rather than consumer choice be fully realised.

In conclusion

7.38 This Commission was established because of well-founded concerns about the ability of the Welsh public sector to address the challenges that it faces. Much of our report has dwelt on those challenges, and on the problems which prevent the public sector as it is from addressing them sustainably and effectively. We have done so in ways which we believe reflect the wide-ranging evidence we have received and the scale of the challenges ahead. That has led us to propose a radical and comprehensive reform package covering many aspects of governance and delivery across the Welsh public sector.

7.39 The challenges are serious and the need for reform to tackle them is urgent. But that need not and must not be a cause of despair. On the contrary, we believe that Wales has the talent, the commitment and the vision to confront and overcome these problems, and to create a public sector that is genuinely and sustainably world-class. As a small country, we are far better placed to seize the opportunities of integrating public services to drive out wasteful duplication, maximise synergies and becoming agile enough to respond swiftly and effectively to the needs and priorities of citizens and communities. There are already some examples of Wales delivering world class services but this must become the norm, not the exception. And we believe it will be if our reforms are properly led, managed and implemented. Then and only then will the capacity and commitment of our public servants be given the space in which to flourish.

7.40 Implementing our proposals will require leadership at a national and local levels and actively engaging with citizens and communities. That may be challenging and difficult. But it can be done and it must be done. It is on those terms that we commend our findings to the Welsh Government, the National Assembly for Wales, and to the Welsh public sector. Those that they serve expect and deserve nothing less.

Annex A: Commission Member Biographies

Sir Paul Williams, O.B.E., C.St.J. D.L

Paul is Non Executive Director of Natural Resources Wales, Member of the Commission on co operative and mutual societies in Wales, Registrar and Trustee St. John Cymru Wales and a Trustee for WRVS and RMBI. An Associate with Harvey Nash Wales. His distinguished career in the NHS spanned forty five years and included Former Director General, Health and Social Services, Welsh Government and Chief Executive NHS being the CEO of three NHS Trusts and President of the Institute of Healthcare Management. He is Companion of the Chartered Institute of Management and an Honorary Fellow of Cardiff Metropolitan University. High Sheriff, South Glamorgan 2007/08 and Deputy Lieutenant South Glamorgan. Enjoys walking with his wife Glenys and fly fishing on the Rivers Usk, Wye and Dovey.

Nick Bennett

Nick Bennett has been Chief Executive of Community Housing Cymru, the national membership body for not for profit housing providers, since July 2006. In 2010 CHC formed a group structure with Care and Repair Cymru and the new Centre for Regeneration Excellence Wales. Between 2000 and 2002 he was Cabinet Special Adviser to the Deputy First Minister in the Welsh Assembly Government where he supported a number of portfolios including economic development, rural affairs and culture and the Welsh Language.

Brought up on Anglesey, he was educated at Aberystwyth University where he gained a degree in political science and an MBA. Between 1995 and 1999 he worked at the Wales European Centre in Brussels where he lobbied for Welsh regional policy interests.

He was a member of the All Wales Convention which recommended holding the referendum on primary law making powers for the National Assembly. Nick represents CHC on the Housing Regulatory Board and he is also the UK representative for Housing Europe, the European network for social housing. A former member of the Welsh Language Board and the Ofcom Advisory panel for Wales, he was recently appointed to the Co-operative and Mutuals Commission. A fluent Welsh speaker, he is married with three children.

Lord Bourne of Aberystwyth

Assembly Member for Mid and West Wales (1999-2011), Leader of the Opposition in the National Assembly for Wales (2007-2011). Political interests in the Assembly included constitutional affairs, regeneration, education, heritage, European affairs, sport, railways and the environment.

As Leader of the Party he increased representation in three successive elections in 2003, 2007 and 2011. Nick lost his seat in 2011, ‘a victim of his own success’ and of the electoral system.

During the period of his membership of the National Assembly for Wales and his leadership of the party in the Assembly Nick took a very keen interest in cultural issues and was strongly supportive of our National Museum.
Interests: Walking, tennis, badminton, squash, cricket, theatre, travel and cinema, National Trust, NSPCC, The British Heart Foundation.

Nerys Evans
Nerys Evans served as an Assembly Member representing Mid and West Wales between 2007 and 2011. She was Plaid Cymru's Education Spokesperson during the One Wales Coalition, and was Plaid's Director of Policy from 2008 until 2012.
In 2011 she was appointed by the Welsh Government as an Advisory Education Commissioner in Blaenau Gwent County Borough Council, and is currently a member of the Blaenau Gwent Strategic Performance Board. Since leaving the Assembly she has worked as Head of External Affairs at Macmillan Cancer Support and she is currently a founding Director at Deryn Public Affairs Consultancy, Head of Strategy at Portal Educational training and a member of Ofcom's Advisory Committee for Wales.

Juliet Luporini
Juliet is a co owner of the Kardomah restaurant a long established City centre business, where she is involved in the running of the business on a daily basis and has the role of Finance Director. Vice Chair of the Swansea Business Improvement District where specific focus has been on regeneration culminating in the Chairing of the Commercial Business Group. A group which has facilitated the collaborative partnership working between the BID and its 850 business membership, the local authority, Welsh Government and other major stakeholder groups. The role within the BID has also led to the formation of a company which facilitates the development of Business Improvement Districts, as a mechanism for collaborative working and regeneration. Recent engagements include being part of the Business Rates Task and Finish group for the Welsh Government, which has led to a further review of Charities to be conducted by Professor Morgan and Juliet. Additional roles included taking part in the National Regeneration Summit in November 2012 as a guest speaker, being part of a regeneration panel in Newport and speaking at the regeneration conference in Swansea.
Past career experiences include a wide range of employment in both the private and public sectors. With commencement of a career as a Graduate Management Trainee (Commercial Field) for Marks and Spencer PLC. Followed by a move to education, initially teaching Economics and Business Studies at A Level, laterally experiencing educational management at Senior level. Consequently, an interesting and challenging opportunity arose for a move to the Ministry of Defence where a much wider strategic role developed as part of the Senior Management Team.

Garry Owen
Regional Officer Unite the Union Wales
Lead Officer for Civil Air Transport/Aerospace and MOD & Government Departments
Director, Chairman and Trustee of National Unions UAS Pension Scheme
Former Chair and E.C member of Welsh Labour
Chair of Welsh Labours Policy Forum
Member of Labours National Policy Forum
Former Chair of Rhondda Cynon Taff County Labour Party
Former Chair Pontypridd Constituency Labour Party
Member of First Ministers Taskforce for Cardiff Airport
Member of the St Athan and Cardiff Airport Enterprise Zone Interim Board

Councillor Alun Thomas
Leader of Neath Port Talbot Borough Council since May 2009. A former miner, born and brought up in Onllwyn where he lived and worked for most of his life.
He is Chairman of the Onllwyn Labour Party Ward, a position he has held since 1985, and has formerly held the office of President of the Neath Constituency Labour Party. He is also a former whip and chair of the Neath Port Talbot County Borough Council Labour Group and is well known throughout the National Labour movement in Britain. He has, for many years, also represented Neath Port Talbot Council on the LGA, WLGA, Coalfield Communities Campaign (now the Alliance), and is a committed supporter of all cultural and sporting organisations in the communities he represents.

Annex B: Commission Remit

The Commission on Public Service Governance and Delivery in Wales

Purpose

The Welsh Government is committed to values of fairness and equality. We do not accept poverty and inequality, or the erosion of public services which we believe need to be fit for our times and sustainable. Our Programme for Government set out a clear framework to strengthen the delivery of effective, efficient and accessible public services, including in particular, those that are the responsibility of local government. The importance of protecting and supporting our public services is crucial as we know that in particular our most vulnerable individuals and communities rely heavily on these services which impact so directly on the day to day quality of their lives. These services could not exist without the dedicated public service workforce we have and we are committed to developing and supporting those who work in public services.

We do not consider that the market is the solution to the challenges facing these public services. The needs of individuals, families and communities can be complex or simple, are often met through a range of organisations - including non devolved services - and do not neatly fit into organisational boundaries. Since public sector budgets are likely to continue to tighten, and demand pressures grow, in the medium to long term, there is a clear need to examine how services can be sustained and standards of performance raised, so that people in Wales can continue to receive and influence the public services they need and value.

The Welsh Government's commitment to establish an independent Commission on Public Service Governance and Delivery provides an opportunity to examine how public services are governed: that is, held accountable for their performance and delivered most effectively to the public.

The aims of the Commission will be to:

- Gather and provide an objective, authoritative assessment of the extent to which current arrangements for public service governance and delivery in Wales meet the needs and aspirations of people today and provide a sustainable basis for the future;
- Propose an optimal model of public service governance and delivery for Wales, that will ensure that efficient, effective and accessible services are provided to the citizen; and support continuous improvement in those services against the background of financial and demand pressures;
- And, as part of this, to engage with those who provide and use public services.

Context
The Commission is asked to consider the above, taking account of the Welsh policy context, including

- The current structure of local health boards within Wales is already supporting the move to integrate services more effectively and to put services on a sustainable footing for the medium to long term. The Welsh Government would not, therefore, expect LHB configuration to require consideration by the Commission;
- The action already underway in developing the provision of public services including, but not limited to, the work of the Public Service Leadership Group as overseen by the Partnership Council for Wales; the Welsh Government's footprint for collaboration in public services; and the range of legislative measures such as the Social Services Bill, the Sustainable Development Bill and the Planning Bill;
- The need for greater simplicity in governance and delivery arrangements for services in order to enable effective integrated planning and delivery for people in Wales, including through the work of Local Service Boards;
- The recommendations of the Hill Review into education improvement;
- The proposals put to the Silk Commission by the Welsh Government [and any emerging outcomes from the Silk Commission].

Scope
The Commission will consider arrangements for the governance and delivery of all devolved services. It is encouraged to reflect the contribution made to integrated delivery by non-devolved services and to report any conclusions relevant to the current considerations of the Silk Commission.

Outcome
The Commission is asked to collect and consider evidence; engage widely; and to produce findings and a final report, which makes clear recommendations for action by the Welsh Government and public sector partners on

- The optimal arrangements for the organisation, governance and delivery of efficient, effective and accessible public services in Wales, including
    - scale of delivery;
    - scope for integrated and cross-sectoral working.
- A timescale for any changes
- A consideration of any associated changes to the financing arrangements of the public services under consideration

Timing
The Commission should report by the end of 2013.

Approach to its work

The Commission will determine and plan the work necessary to produce an evidence-based report. In undertaking that work it should engage those who use and provide public services, including the voluntary sector, and those who are politically accountable for service delivery.

Annex C: Call for Evidence – Service Providers

The Commission on Public Service Governance & Delivery has been tasked with reviewing the governance and performance of devolved public services in Wales. The First Minister has asked us to deliver an evidence based report in December 2013.

The remit of the Commission is very wide with an intensive timetable. We have decided to structure our work around six inter-related themes, and will seek and consider evidence on these over the summer and early autumn.

This questionnaire is designed to seek the opinion, experience and knowledge of service deliverers on the six key issues of focus. This evidence will be analysed alongside the data and research evidence already available and the evidence gathered from service users to assist the Commission in their considerations.

The six key inter-related areas of focus are:

Performance

Wales has a wealth of data on Public Service delivery obtained from an array of sources. These data show that, despite the undoubted efforts of public service organisations and their staff, performance is poor and patchy across the public sector: many key services are improving only slowly, if at all. This has led to an increasing level of Welsh Government intervention in public service delivery in recent years. Furthermore, the data to show that Wales lags behind other countries on many measures of performance and wellbeing.

We recognise that there may be a number of factors that contribute to the variances in performance both in individual organisations and across sectors and to the lack of progress in improving service delivery performance across Wales. The Commission will explore these factors in more detail.

The Commission recognise that under-performance may be due to differences in priority and contextual pressures of individual organisations and sectors. They may also be due to other issues, such as scale and complexity, which we will explore separately. However, we are also concerned about how well those organisations manage their performance. For instance, organisations may collect data but not use it effectively to identify and address performance deficiencies.

We therefore wish to explore how well and how consistently organisations manage their performance and account for that. This includes the use of benchmarks, standards, targets and comparative data – whether in ways defined by organisations themselves or by government, and whether relative to performance over time, performance of similar organisations in Wales, or comparisons with other countries. Again, we are concerned that

such practices may vary in their extent and effectiveness within and between organisations and sectors.

There is also a growing amount of data about citizen perceptions and satisfaction levels. We wish to explore that relationship between service provider and service users. In particular, we wish to examine whether service-providers fully understand users' needs and perceptions, the ways in which organisations account publicly for performance, and the links between levels of performance and levels of satisfaction. We also address this in the governance, scrutiny and delivery section below.

In light of this, we would be grateful for information on the following issues

1	**Does your organisation collect the right information to support and improve the services you deliver?** In responding on this you might wish to think about and cover : • the range of data that your organisation collects - is it comprehensive and useful? • whether there is an over-reliance on data at the expense of other sources of intelligence • whether data are collected simply to comply with legal or regulatory requirements • what information is not collected and why
2	**How does your organisation manage its performance improve delivery?** In responding on this you might wish to think about and cover: • When does your organisation use performance data to inform decisions and priorities? • How has your organisation managed performance to drive changes in operational delivery? • How has your organisation managed performance to drive strategic change? • What use do you make of standards, targets, benchmarks and comparative data? • How and how well do politicians use performance data to inform decisions and priorities? • How and how well do politicians use performance data to scrutinise delivery and decision making?
3	**Is your organisation delivering for your users?** In responding on this you might wish to think about and cover: • How effective have your service outputs been in contributing to positive change in outcomes • To what extent are your services available in ways which meet your users' needs (eg Welsh language, multiple channels, disability access) • How far can you and do you consider and implement alternative means of delivering services which better meet users' needs? Are there any

	barriers to your doing so? • What does data about public perceptions of service quality tell you? How do they relate to data about service performance? • How do you report performance data to the public? What evidence is there of this increasing accountability?
4	**How has working with others delivered services for users?** In responding on this you might wish to think about and cover • How and how well can you manage the efficiency and impact of partnership and cross-sector working?

Scale and Capability

Welsh public service organisations vary considerably in their size, complexity, the functions they deliver and their geographic coverage, both within and across different areas of the public sector. With that in mind we want to explore and better understand the rationale for such structures, any evidence of a relationship between organisational scale and capability, and the impact these differences have on performance and delivery.

There is not necessarily a linear relationship between organisational scale and capability to deliver. However, it would be equally naïve to expect there to be no scale effects at all. While smaller organisations may find it easier to serve fewer users, they may also experience proportionately higher overheads and unit costs, and may find it harder to innovate, to use research and development and technology, to respond to changes in demand, to maintain necessary levels of expertise, to deploy funding and other resources flexibly, or to form and sustain effective partnerships. We therefore wish to explore relationship between the size of an organisation and its efficiency and performance.

We also wish to explore how far differences in size, scale and complexity of public service organisations in Wales affect the partnerships and collaborative working relationships between them.

In light of this, we would be grateful for your responses to the following questions:

1	**What is the evidence that an organisation's ability to deliver its key functions is related to its size?** In responding on this you might wish to think about and cover: • How far are unit costs, overheads, service quality and service availability driven by organisational scale? • What evidence is there that a minimum 'critical mass' exists for a given type of organisation or service? • How far is capacity to innovate and to respond to new developments constrained by organisational scale?
2	**What functions and services are most effectively delivered at which level?** In responding on this you might wish to think about and cover: • How can we be sure that services are delivered at the most appropriate

	geographical level (local, regional or national)? • How far is it true to say that the Welsh public sector is over-populated?
3	**Does the current number and structure of organisations provide value for money?** In responding on this you might wish to think about and cover: • How far are your budgets driven by prescribed governance structures and accountability relationships? • Do sectoral partnerships tell us something about scale (perhaps an indication that organisations are too small?) • How far have your overheads been controlled by better or more collaborative procurement of support services? • How far have your overheads and other issues of scale and complexity been overcome through use of information and communication technology?
4.	**Does organisational size affect the effective management of human, financial and other resources?** In responding on this you might wish to think about and cover: • What are the current and recent levels of senior and professional vacancies within your organisation? What do you think the reasons are this? • How far do vacancy levels relate to organisational scale? Do you feel that there is a sense of (eg) small organisations being more or less attractive as employers? • What evidence is there that public-sector organisations are competing for the services of a restricted pool of talent? • How well can and do you redeploy or develop talent to meet emerging or changing pressures? • How well can you and do you redeploy or flex budgets to meet emerging or changing pressures?

Complexity

Public service structures in Wales appear highly complex. Despite recent reform initiatives, for instance structural reform in the NHS, in the formation of Natural Resources Wales, and the push for greater collaboration following the Simpson Review, there are still a around 900 public bodies201 serving a small country with a population of around 3 million, and with budgets that range from many hundreds of millions of pounds to a few thousand. We recognise that the structure has evolved over time, with different structures perhaps developing in isolation from others. This unplanned, evolutionary development of the public sector may have had several undesirable effects:

[201] Including community councils, advisory boards and committees, tribunals and non-devolved organisations serving Wales or parts of Wales, but not organisations with a UK, GB or England and Wales remit. Of these, around 60 have purely advisory, regulatory or quasi-judicial (rather than delivery) functions.

- It may create duplication, overlap and conflict between organisations and services.
- It may have led to organisations and sectors working in silos and neglecting the cross-cutting needs which citizens and communities may have.
- It may create excess diversity in organisational scales, capacities and contexts, leading to a "postcode lottery" of service provision and quality
- It may confuse accountability to citizens, especially when roles are not clear and boundaries are not coterminous.
- Furthermore, the differences in size, scale, capability of organisations and the respective roles, responsibilities, functions and geographic coverage of different organisations may add to this complexity.

The commission wishes to explore all of these issues and their potential effects on delivery and good governance.

One response to these issues has been to promote partnership and collaboration, both within and between sectors and areas. While this has the potential to overcome barriers, it may perversely add to the overall complexity and the burdens of managing it. It may also make governance and accountability arrangements more obscure rather than clearer. Finally, the differences in scale and coverage of organisations may tend to hinder rather than help collaboration.

In light of this, we would be grateful for your responses to the following questions:

1.	**To what extent is there organisational overlap?** In responding on this you might wish to think about and cover: • How far is there coherence and synergy between functions within your organisation and others within your sector of the public service, at both the strategic and operational levels? • How far is there coherence and synergy between sectors of the public service, at both the strategic and operational levels? How far, on the other hand, do they duplicate or conflict with each other? • How far does the interface between your organisation's role and that of others maximise resource efficiency? • Are there too many organisations acting in or making decisions in "tiers" on the same issues?
2.	**Do current structures enhance seamless services and provide better services?** In responding on this you might wish to think about and cover: • How far are organisational and administrative boundaries coterminous? Why and to what extent does it matter? • Do such boundaries reflect different patterns of or drivers for demand between sectors; and how far are such differences justified? • How far do such boundaries reflect public senses of place or identity? • How do such boundaries affect service accessibility, and citizens' perceptions of service coherence and integration?

3.	**Has collaboration led to improved services?** In responding on this you might wish to think about and cover: • If collaboration has led to improved performance why? If not, why not? • To what extent has collaboration yielded sustained resource savings and/or gains in performance? • To what extent has collaboration created a further and/or distracting management burden? • Does partnership working add to the complexity or point to a more effective way of configuring services? • How far has your organisation collaborated willingly? How far have you simply followed mandates or expectations that you should do so? • Have partnership arrangements been focussed on improving services? Or what is more effective for the organisation?
4.	**Do current arrangements blur accountability?** In responding on this you might wish to think about and cover: • How many tiers of accountability exist within key services? What are the effects of this? • What has been the effect of collaboration on organisational accountability? • Do current arrangements led to blame passing or cost shunting? • Does the number of organisations mean that getting appropriately senior and mandated representation in partnerships is too great a challenge?
5.	**Do different organisational scales and boundaries affect the ability your organisation to collaborate effectively?** In responding on this you might wish to think about and cover: • How many partnership arrangements are there within your sector and between sectors? What is their coverage, and how rational and coherent is the overall structure? • How important is 'co-terminosity' to cross sector working? • Does some collaboration work more successfully than others? If so, why?

Governance, Delivery and Scrutiny

The principles of good governance have been widely articulated, for instance by the Independent Commission on Good Governance in Public Services[202]. It emphasised six key principles:

- focusing on the organisation's purpose and on outcomes for citizens and service users
- performing effectively in clearly defined functions and roles
- promoting values for the whole organisation and demonstrating the values of good governance through behaviour
- taking informed, transparent decisions and managing risk

[202] See www.jrf.org.uk/system/files/1898531862.pdf.

- developing the capacity and capability of the governing body to be effective
- engaging stakeholders and making accountability real.

We have covered the first three of these elsewhere in this call for evidence. Here, we are concerned with the last three: with how and how well organisations make decisions, and how they both account for their own decisions and hold others to account for theirs. If service-providers are consistently and rigorously held to account they can anticipate the need for change, and/or react to pressure for change, which in turn increases their ability to meet stakeholders' needs and ultimately to improve performance.

In recognition of this, the Commission will explore the existing internal and external governance and scrutiny arrangements of Wales's public service organisations, the influence of these structures on the organisations' ability to adapt and react to change and how the governance arrangements affect relationships between organisation both within and across sectors.

There are several mechanisms which may influence an organisation to change its objectives, operational arrangements and performance priorities, or resource allocations. These include:

- its own internal processes for identifying and responding to pressures, and the governance and decision-making arrangements around those;
- accountability to and engagement with citizens, and responding to that;
- audit, inspection and regulation, and the findings and recommendations of bodies undertaking such work; and
- political scrutiny at the local and national levels.

We wish to understand the complexity, interaction and effectiveness of each of these systems, and how organisations react and respond to such pressure. That may reflect both the efficiency of an organisation's governance arrangements and the extent to which it and its staff value agility and responsiveness.

In light of this, we would be grateful for your responses to the following questions:

1.	**Are the principles of good governance being upheld, and are they driving improvement? If not, why not? What needs to change?** In responding on this you might wish to think about and cover: • Do governance arrangements for organisations effectively hold those responsible for delivery to account? • How clear and simple are governance and decision-making arrangements within your organisation? What is the effect of this? • How well and how consistently does your organisation change its governance process and adopt good practice to improve efficiency and clarity? • How well and how consistently does your organisation adopt alternative and innovative ways of delivering services, to increase quality and/or reduce cost?

	• How well do governance arrangements address collaboration and pursuit of shared outcomes? How diverse are governance and decision-making arrangements between your organisation and others? What effect does this have on collaboration and approaches to system reform? • Should the Welsh Government be more or less prescriptive about the governance and scrutiny arrangements in place in public services in Wales? • How much user involvement is there in governance arrangements? How effective is that in driving improvement? • Are our regulatory, scrutiny and governance arrangements too complex? How far do they share a common purpose?
2.	**How effective is public engagement in influencing decisions and holding service-providers to account?** In responding on this you might wish to think about and cover: • How and how extensively does your organisation and others account to and engage with the general public on their performance and decision-making? • How powerful is this in driving improvement? How far does engagement yield tangible change at the strategic and operational levels? Or is there a sense of just responding to complaints in isolation? • How far do you believe citizens understand the different roles of your organisation and others? What impact does this have? • How far do citizens understand your governance and decision-making processes? What impact does this have? • Do you believe the scale of your organisation and others has any impact on its ability to account and respond to citizens effectively?
3.	**How effective are audit, inspection and regulation in driving change and supporting accountability and improvement?** In responding on this you might wish to think about and cover: • How effective is audit, inspection and regulation in identifying your organisation's strengths and weaknesses? • How powerful is this in driving improvement? How readily and effectively does your organisation and others respond to recommendations from auditors, inspectors and regulators? • How complex and diverse are scrutiny, regulatory and accountability mechanisms within and between your sector and others? • To what extent do these mechanisms focus on individual organisations and outputs rather than partnerships or outcomes? Does this matter?
4.	**How well does formal and political scrutiny influence decision-making and improve accountability?** In responding on this you might wish to think about and cover: • What evidence is there that governance arrangements which entail direct accountability to politicians (as distinct from appointed or nominated members) improve accountability and performance?

	• How effective are formal or political scrutiny processes in influencing decision-making and identifying strengths and weaknesses in your organisation and others? Does this vary between local and national levels of scrutiny? • What is the effect of scrutiny being a formalised and politicised process? Is there any evidence of different approaches having greater impact? • How clear are your political scrutiny processes to all involved, including the public? How powerful are these processes in driving improvement? How responsive is your organisation and others to recommendations made as a result of these processes?

Culture and Leadership

Organisational culture – the collective behaviours of the individuals working within an organisation and its values, vision, norms and beliefs – have a strong effect on its delivery mechanisms and ultimately on its performance. An organisation's culture will underpin its structure and operations and the openness of these to internal and external pressure for change. This is in turn driven by the values which each organisation and its staff hold. Each organisation's values and culture also affects the way that people within an organisation interact with one another, with partners and with citizens.

We wish to explore the extent to which public service organisations within and across the Welsh Public Sector share common values and cultures, the extent to which differences exist, and their impact on delivery. In particular, we want to understand the extent to which current values and behaviours support improvement, flexibility, innovation and accountability. We also want to explore the internal and external drivers and influences on culture, including the role of leadership management and workforce engagement, and the importance of these in improving performance.

We will also explore the extent to which there is a similarly common approach to developing and maintaining high standards of political, managerial and professional leadership across the public sector. Selection, training and development of leaders, top managers and professionals – and the extent to which their skills are recognised and valued – seems to be an important factor in well-performing organisations. While this may seem self-evident, it may be hampered by organisational self-interest, a lack of co-ordination, or differences of perspective between political, managerial and professional groups. The Commission will wish to examine these issues.

In light of this, we would be grateful for your responses to the following questions:

1.	**Does the public sector in Wales share a common set of values?** In responding on this you might wish to think about and cover: • How far is there a shared set of public-service values and cultures which manifest support for continuous improvement, innovation, flexibility, accountability and strategic change?

	• How far, conversely, are there no such common values? Do organisational behaviours manifest short-termism, parochialism, silo thinking, defensiveness, or cause any other problems? • What, if any, is the effect of cultural, language or other distinctive features of Wales on the delivery of services or the long term ambition of Wales? • Does the public service in Wales display the characteristics of high performing organisations?
2.	**How successfully do organisations have clear values that the whole organisation is behind?** In responding on this you might wish to think about and cover: • To what extent does your organisation have a clear and recognised set of values which is consistent between service areas, specialisms and tiers? • How effective is workforce engagement in strengthening values, stimulating innovation and supporting change? • How well are strategic objectives embedded and reflected in corporate, business and operational plans, and in personal objectives of senior staff?
3.	**Where does change in organisation values come from?** In responding on this you might wish to think about and cover: • What are the sources of change in your organisation's culture and how effective are they? • What is the impact of cross-organisational professional groups and networks on your organisation's values and culture? • What is the role of the Welsh Government in shaping organisational values and behaviours? • How effective is workforce engagement in stimulating innovation and supporting change
4.	**What role does leadership play in improving performance** In responding on this you might wish to think about and cover: • How important is leadership in improving performance and overcoming weaknesses in values and culture? • How important is leadership in improving collaboration and partnership working? • How effective has Wales been in developing and sustaining a cadre of committed, highly effective public sector leaders and managers? How important is this? • Is there clear understanding of differentiation between political and managerial leadership functions and responsibilities and what impact do such differences have?

Welsh Government and National Assembly for Wales

The establishment of devolved government in Wales in 1999 and the subsequent devolution of full law-making powers in 2011 have fundamentally changed the landscape of public service delivery in Wales. The range of matters which are devolved to Wales consists largely of issues relating to public services and their effectiveness.

Accordingly, the Welsh Government has four key roles: legislation, policy, enabling and delivery. It oversees the performance and governance of much of the Welsh public sector. It is responsible for numerous financial, policy and legal mechanisms which directly control or influence how other organisations operate, and to what ends. The Programme for Government and the regular updates on it report on progress and set out how some of these functions are applied. The National Assembly for Wales has a powerful influence both as a legislature and as a national-level scrutiny body. We believe that these roles are vital in shaping and improving public service delivery and governance, and we wish to explore their effectiveness in depth.

In particular, we want to explore the approaches taken by the Welsh Government in these four key roles. These may, for instance, confer discretion on delivery organisations, or they may take a more directive approach; and we want to consider how far those approaches are justified and how consistently they are applied across the devolved public sector.

Devolution has been famously described as "a process, not an event", and the terms of the Welsh devolution settlement have changed markedly since 1999. We wish to explore how the Welsh Government and the National Assembly for Wales have responded to those changes, and in particular how they have dealt with the acquisition of full law-making powers following the 2011 referendum.

The Commission also recognise that since the establishment of the Welsh Government a series of public sector review and reform initiatives have been carried out and we want to better understand the effect of these on change.

Finally, the Commission recognise that Welsh public services cannot just be considered in isolation. With many citizens being exposed to cross-border flows in service provision we recognise the importance of better understanding the effects of this on service delivery in Wales and the importance of better understanding the inter-relationship between devolved and non-devolved matters and Welsh Government's approach to managing this.

In light of this, we would be grateful for your responses to the following questions:

1.	**How could Welsh Government do more to achieve policy coherence and aligned delivery?** In responding on this you might wish to think about and cover: • Has the Welsh Government clearly articulated its priorities for the term of Government? • Has the Welsh Government generated a shared commitment to those

	priorities? Is it possible or reasonable for it to do so? • What are the main policy-making approaches of the Welsh Government towards your organisation? For instance, do they emphasise co-production or direction; planned or adaptive approaches; ; gradual or transformative change? • What evidence is there of rational choice between these modes? How far have these been consistently applied, and how far to particular policies, sectors or issues? • How far has the Welsh Government involved itself in (or disengaged from) direct service delivery, and what are the implications of that?
2.	**Is the distinctive role of the national government in Wales well understood?** In responding on this you might wish to think about and cover: • Is Wales making the most of operating at a small country scale? • Is accountability for the delivery of public services clear? • In your experience what has been the impact of changes to the devolution settlement on policy-making? In particular, what has been the effect of the acquisition of legislative powers? • Is the National Assembly's role in scrutiny of policy, delivery and legislation sufficiently clear?
3.	**How have arrangements between the Welsh Government and organisations developed to enable and encourage improvement in delivery?** In responding on this you might wish to think about and cover: • What policy, funding and influencing mechanisms does the Welsh Government deploy to manage relations with you? • How consistently have these been deployed across the whole system and in different sectors? • Could funding arrangements more effectively support delivery and accountability for delivery? If so, how? • What evidence is there of the relative effectiveness of these mechanisms, and of the Welsh Government learning from that? • Are performance management and scrutiny arrangements suitably aligned?
4.	**How effectively does the Welsh Government directly manage services?** In responding on this you might wish to think about and cover: • How effectively does the Welsh Government manage those services for which it is directly responsible? How far does it learn from others in doing so? • How far does the Welsh Government have the specialist expertise it needs – particularly but not solely in areas where it has taken on direct responsibility for service delivery?
5.	**How well does Wales handle cross-border service provision between Wales-England/ Devolved-non-devolved?**

	In responding on this you might wish to think about and cover: • What are the effects of Wales-England cross-border flows in service provision and demand on service delivery? How well do the Welsh Government and other organisations manage this? What is the impact of UK Government policy, and of the boundary between devolved and non-devolved matters, on service delivery? How effectively does the Welsh Government manage this interface with Westminster?

Concluding Thoughts

After considering the six themes it would be helpful and insightful to gather your responses on the final three questions.

1	**What are the greatest challenges that you see in delivering public services in the future?** In responding on this you might wish to consider overarching matters such as geographical location; changes in demographics; technology; socio economics as well as the 6 themes above.
2	**How would you like to see public services delivered in the future?** In responding to this you might wish to consider • What key things you would transform? • How would your future public services improve delivery to the user? • What opportunities for transformation do you feel are already evident?
3	**Are there any other areas of focus that the Commissions should be looking at as part of their evidence gathering?** In responding to this you might wish to consider • Drawing on UK and other experience, what more should be done to drive up public sector performance in Wales?

Annex D: Call for Evidence – Service Users

Public services are important to all of us and protecting them is crucial, our most vulnerable individuals rely heavily on them and they impact on the day to day quality of our lives. These services could not exist without the dedicated public service workforce we have in Wales, but it is clear that the resources needed to provide public services are limited and the demand for them is increasing. Some public sector organisations are struggling to meet these challenges.

The Commission on Public Service Governance and Delivery was established in April 2013 to look hard, honestly and objectively at the way public services are governed and delivered in Wales, and how they may be improved. This broad remit covers all devolved public services, including (but not limited to):

- Local Government. Your local authority provides many services, including education, social services for children and adults, housing, planning, transport and highways, libraries, sports and leisure services, and waste collection and disposal;
- Health (all services provided by or under the NHS: doctors, dentists, hospitals, public health services and so on);
- Emergency Services (police, ambulance and fire); and
- Cultural, heritage and environmental services.

Your views on public services in Wales

The Commission would like to offer the people of Wales the chance to have their say on public services and so you are invited to address the questions below. In answering these questions please consider your own experiences of public services, using examples where possible. The Commission is trying to understand people's experiences of public services and how public services can best support the needs of all people in Wales.

The Commission thanks you for taking the time to answer the eight questions which follow but please do not feel that you have to answer all of the questions. Any comments that you have will be very important to the Commission. If you have any queries, please contact: publicservicecommission@wales.gov.uk or call 02920 826782.

1. Thinking about the public services you, and others close to you have used (for example those listed above), what is your opinion of:

a) whether they do a good job of meeting your needs and what could have been done better
b) how prompt they are in responding to your needs
c) whether they are easy to access when you need them
d) whether the information is available for you to judge whether services provide value for money

2. Is there a particular service or services you think are better than others? If so, what services are they and what is good about them (for example, are they particularly efficient or good at listening to and understanding your needs?)

3. When you require services, are you clear about which organisations provide them and how you go about accessing them?

4. When you need to access public services, are you able to do so in the way you would prefer (for example if you prefer face-to-face contact, is that option available to you? Or if you prefer to contact services by phone or online, are those options available to you? Are you able to access services in the language you require?)? Please tell us about anything that makes it easy or difficult to access services.

5. Thinking about services you, or those close to you have received have you had experience of organisations, or different parts of organisations, working together (e.g. health and social services)?

a) was this a positive experience?
b) can you think of instances when services working together better may have improved the service you received?

6. Generally speaking, do you think services are in tune with what the public requires of them and do you think they are good at responding to changing needs and circumstances?

7. Would you know how to raise concerns about particular services in your area and do you feel you have the opportunity to hold services to account (and do you understand how to do so)?

8. Finally, please share any other views you may have on how public service delivery in Wales could be improved.

Annex E: List of Responses

(1) Written responses

Academi Wales
Alliance of Welsh National Park Societies
Arvato plc
Association of Chief Police Officers Cymru
Association of Directors of Social Services Cymru
Association of Voluntary Organisations in Wrexham
Auditor General for Wales
Bevan Commission
Blaenau Gwent County Borough Council
Bond, Nigel
Bridgend County Borough Council
Bridgend Local Service Board
British Telecom plc
Campaign for National Parks
Campaign for the Protection of Rural Wales
Cardiff and Vale Local Health Board
City and County of Cardiff Council
Cardiff Local Service Board
Care and Social Services Inspectorate Wales
Care Council for Wales
Carmarthenshire County Council
Carmarthenshire Local Service Board
Ceredigion County Council
Chartered Institute of Public Finance and Accountancy
Churchstoke Community Council
Chwarae Teg
Colwinston Community Council
Commissioner for Sustainable Futures
Conwy and Denbighshire Local Service Board
Conwy County Borough Council
Cymdeithas yr Iaith Gymraeg
Davies, Tom
Day, Cllr Mike
Denbighshire County Council
Denbighshire County Council Labour Group
Denbighshire County Council Plaid Cymru Group
Directors of Public Protection Wales
Diverse Cymru
Dyfodol i'r Iaith
Electoral Reform Society Wales

Ellis, Dr David
Estyn
Federation of Small Businesses Wales
Flintshire County Council
Gorwel
Gwent Police and Crime Commissioner
Gwynedd Council
Health Promotion Library
Health Protection Committee
Hedges, Mike AM
Holyhead Town Council
Holywell Town Council
Hughes, Liz
Isle of Anglesey County Council
Johns, Peter
Jolliffe, Julie
Jones, Elin AM
Llandough Community Council
Llandudno Town Council
Llanelli Town Council
Llanfynydd Community Council
Llangedwyn Community Council
Local Democracy and Boundary Commission for Wales
Marchant, Ron
Mentrau Iaith Cymru
Merthyr Tydfil County Borough Council
Mid and West Wales Fire and Rescue Service
Morgan, Dr Rhodri Llwd
Murphy, Rt Hon. Paul MP
National Association for Areas of Outstanding Natural Beauty
National Federation of Women's Institutes Wales
National Parks Wales
Natural Resources Wales
New Radnor Community Council
Newport City Council
NHS Shared Service Centre
North Wales Fire and Rescue Service
North Wales Social Services Improvement Collaborative
Older People's Commissioner for Wales
One Voice Wales
Paterson, Dr Helen
Pembrokeshire County Council
Penarth Town Council
Perry, Sian
Pontypool Community Council
Powys Teaching Health Board and Powys County Council (joint response)
Powys Local Service Board

Public Health Wales
Ramsay, Nick AM
Rhondda Cynon Taf County Borough Council
Royal College of Nursing
Royal College of Surgeons
Smith, Alan
Smith, Nick MP
Sport Wales
Stow, Richard
South East Wales Transport Alliance
South Wales Fire and Rescue Service
South Wales Police and Crime Commissioner
Spanswick, Cllr John C.
Swansea Bay Port Health Authority
Swansea Business Improvement District
City and County of Swansea Council
Thomas, Arthur
Thomas, Mr S. J.
Torfaen Constituency Labour Party
Torfaen County Borough Council
UK's Changing Union
Vale of Glamorgan Council
Vale of Glamorgan Local Service Board
Vanguard Wales
Wales Council for Voluntary Action
Wales Heads of Environmental Health Group
Wales Tourism Alliance
Wales Trades Union Congress
Walker, Cllr Philip
Welsh Government
Welsh Heads of Trading Standards
Welsh Institute for Health & Social Care
Welsh Language Commissioner
Welsh Local Government Association
Welsh NHS Confederation
Williams, Wade
Wrexham County Borough Council
Wrexham Local Service Board

There were also eight anonymous responses.

(2) Oral evidence (in formal meetings of the Commission only)

Abertawe Bro Morgannwg University Health Board
Academi Wales
Aneurin Bevan University Health Board
Association of Directors of Education in Wales

Association of Directors of Social Services Cymru
Auditor General for Wales
Betsi Cadwaladr University Health Board
Bevan Commission
Blaenau Gwent County Borough Council
Board of Community Health Councils Wales
Brecon Beacons National Park Authority
Bridgend County Borough Council
Caerphilly County Borough Council
Care and Social Services Inspectorate for Wales
Carmarthenshire County Council
Ceredigion County Council
Children's Commissioner for Wales
Conwy County Borough Council
Denbighshire County Council
Dyfed Powys Police
Dyfed Powys Police and Crime Commissioner
Education Achievement Service for South East Wales
Flintshire County Council
Gwent Police
Gwent Police and Crime Commissioner
Gwynedd Council
Healthcare Inspectorate Wales
Hill, Robert
HM Chief Inspector of Education and Training in Wales
Hywel Dda University Health Board
Independent Remuneration Panel for Wales
Isle of Anglesey County Council
Merthyr Tydfil County Borough Council
Mid and West Wales Fire and Rescue Authority
Mid and West Wales Fire and Rescue Service
Monmouthshire County Council
Neath Port Talbot County Borough Council
Newport City Council
North Wales Fire and Rescue Authority
North Wales Fire and Rescue Service
North Wales Police
North Wales Police and Crime Commissioner
Older People's Commissioner for Wales
One Voice Wales
Pembrokeshire Coast National Park Authority
Pembrokeshire County Council
Public Health Wales
Public Service Leadership Group (four members: Sian Davies; Mohammed Mehmet; Helen Paterson; Steve Phillips)
Public Services Ombudsman for Wales
Rhondda Cynon Taf County Borough Council

Snowdonia National Park Authority
Society of Local Authority Chief Executives Cymru
South Wales Fire and Rescue Authority
South Wales Fire and Rescue Service
South Wales Police
City and County of Swansea Council
Torfaen County Borough Council
Wales Council for Voluntary Action
Wales TUC
Welsh Ambulance Services NHS Trust
Welsh Government
Welsh Language Commissioner
Welsh Local Government Association
Wrexham County Borough Council

Annex F: Complexity – Detailed proposals about specific organisations

Community health councils

F.1 There are currently eight community health councils (CHCs) in Wales. They mirror the boundaries of local health boards, except in Powys, which has two separate CHCs for the old counties of Montgomeryshire, and Brecknockshire and Radnorshire. (The Welsh Government has very recently announced the intention to merge these.)

F.2 CHCs are public bodies established by statute.[203] They are funded by, and ultimately accountable to, the Welsh Government,[204] and are charged broadly with the following responsibilities:

- Scrutinising and holding to account local health boards and NHS Trusts, with a particular role in considering proposals to change arrangements for delivering services;
- Inspecting the provision of health services – with a particular emphasis in practice on inspecting premises;
- Providing advice and advocacy services to patients, in particular pursuing complaints about poor healthcare; and more generally ensuring that patients' concerns are reflected in the development of health policy and services.

F.3 This is often seen as a unique and distinctive role, especially since CHCs were abolished in England in 2003. In particular, the acting director of the Board of CHCs emphasised in her oral evidence to us the value of their remit to support and represent patients, both individually (in terms of advocacy) and collectively (in terms of inspection and scrutiny). This role has arguably become more important in light of the Francis Report into very serious failings of governance and delivery in the Mid Staffordshire NHS Trust. These led to low standards of care and many avoidable deaths. As Robert Francis QC said in presenting his report to the Secretary of State for Health, these failings were "primarily caused by a serious failure on the part of a provider Trust Board. It did not listen sufficiently to its patients and staff or ensure the correction of deficiencies brought to the Trust's attention" [205] Despite this occurring within the English NHS, the Welsh Government has wisely made clear that it wishes to prevent

[203] Currently, the Community Health Councils (Constitution, Membership and Procedures) (Wales) Regulations 2010
[204] In practice, to the Welsh Government's Chief Nursing Officer
[205] Mid Staffordshire NHS Foundation Trust Public Inquiry 2013 *Report Volume 1:Analysis of evidence and lessons learned*, p9

similar failures from arising in Wales.[206] Clearly a mechanism which articulates patients' interests and concerns about the NHS is an invaluable and indispensable part of that.

F.4 More generally, there can be no argument that public service policy and delivery should be based on, and respond to, the views and priorities of those who use them. We agree with both the Board of CHCs on this, and with the Royal College of Surgeons, who stated in their evidence to us that:
The NHS must have a culture which focuses, at all times, on the needs and rights of patients….[It] is important that this focus happens at every level in the NHS, with the right tone set by leaders (clinical and managerial) in the NHS.

F.5 It is notable, though, that neither the Royal College nor any of the other health-related organisations we heard from mentioned CHCs as part of the process for doing so. That leads us to question their profile and impact. We are not convinced that CHCs as currently configured are able to discharge all of their functions effectively; and in particular that they have limited capacity to carry out their critical role of ensuring that the voice of the patient is at the heart of NHS planning and delivery. There are two reasons for this.

F.6 Firstly, CHCs are very small in relation to the organisations they aim to hold to account. The North Wales CHC, for instance, spends around £780,000 a year on its work, compared to the Betsi Cadwaladr UHB's expenditure of around £1.25 billion. That is unsurprising: a body charged with inspecting and scrutinising services is always going to spend far less than a body which delivers them. But in this case it also means that CHCs often lack the specialist capacity they need. In her oral evidence to us, the acting director of the Board of CHCs noted that CHCs did not have the professional expertise to examine and challenge performance in reducing hospital infections. This is a critical issue for the NHS and an accountability mechanism which is unable to address it is seriously lacking in its coverage and capacity.

F.7 CHCs also appear to lack capacity in absolute terms. For instance, in most CHCs there is currently a waiting list of around a year for its patient advocacy service[207]. An independent review of the governance of CHCs in 2012[208] corroborated this, noting that awareness of the advocacy service was limited, but that if that changed CHCs would be unable to meet the resulting demand. This is a critical part of CHCs' responsibilities, and such capacity issues must be a serious concern. The same review

[206] See the written statement by the then Minister for Health and Social Services to the National Assembly for Wales, 7 February 2013.
[207] Oral evidence from the acting director of the Board of Community Health Councils
[208] Welsh Institute of Health and Social Care 2012. *Moving towards World Class: a review of Community Health Councils in Wales*

found evidence of broader capacity problems, especially around the high level of vacancies in CHC membership. This has been a long-standing problem; in particular, there is a widespread sense that local authority-nominated places on CHCs are not widely valued and are often unfilled. This may reflect the wider sense of scrutiny being undervalued, which we describe in Chapter 4.

F.8 Second, the work of CHCs appears to duplicate the work of other organisations. Many of these organisations have greater capacity and expertise to undertake the same work, or will once other reforms are in place:

- Healthcare Inspectorate Wales (HIW) is the statutory inspectorate for health services. It is empowered to inspect all NHS organisations and any NHS or private-sector healthcare setting; to work in conjunction with other regulators like the Wales Audit Office; and to make recommendations directly to the Welsh Ministers. HIW routinely commissions clinical and managerial professionals to help carry out its inspections, ensuring they have the right level of expertise to investigate and challenge performance and operating practices;
- As noted, the Welsh Government has proposed that local authorities should have the power to scrutinise local health boards and NHS Trusts alongside other public bodies. This has the potential to have greater impact than scrutiny by a CHC, particularly in terms of scrutinising strategic policy decisions, and the interface between health and other services at a partnership level. However, it will take time to establish these arrangements and resource them properly, especially given our wider reservations about the quality and impact of local authority scrutiny now. For the time being, CHCs' scrutiny functions should therefore remain as they are. Their role in considering, consulting and commenting on service reconfigurations is particularly important. If it is done well and objectively, and if CHCs avoid adopting a partisan or campaigning stance, it can enhance local accountability for locally controversial decisions and avoid them being referred to Ministers. But in due course, we believe these functions could form part of an expanded local authority scrutiny function, by co-opting CHC members onto relevant committees. That would not just eliminate duplication: it would mean that CHCs' understanding of patient concerns would complement local authorities' awareness of wider strategic and collaborative issues;
- The Public Services Ombudsman for Wales is empowered to investigate complaints on behalf of those who believe they have suffered from maladministration or poor service across the public sector. Where appropriate, the Ombudsman can make statutory recommendations that an organisation must provide redress and/or pay compensation: powers that are not available to CHCs. Complaints about poor healthcare form a large part of his work: of the 1,790 complaints the Ombudsman

received in 2012-13, 682 (or 38%) related to the NHS.[209] Again, the Ombudsman routinely draws on specialist clinical and other expertise in his investigations.

F.9 Overall, CHCs' functions of inspection, scrutiny and formal complaints investigation are or will be provided by other bodies. CHCs cannot match their resources, expertise and statutory powers and risk both duplicating them at a lower level and spreading their limited resources too thinly in the process. More seriously, this exacerbates the lack of capacity to provide patient advocacy, and the prolonged waiting times to access that service. It must be addressed if CHCs are effectively to ensure that the voice of the patient is heard.

F.10 This plays in to our wider concerns about governance and accountability arrangements in the NHS, which we explore in Chapter 4. It is essential that the views and concerns of patients and service-users receive maximum prominence in all of these mechanisms, and CHCs are the obvious means of ensuring that. This means maximising the clear synergy between the work of CHCs and other relevant bodies such as HIW, local authorities and the Ombudsman. We were disappointed to hear from the acting director of the Board of CHCs that engagement between the CHCs and HIW has been very limited in the past, enhancing the risk of duplication.

F.11 **We therefore recommend that CHCs must ensure that the interests and concerns of patients are at the heart of governance, decision-making and service delivery in the NHS. This means that:**

- **They must prioritise patient advice and advocacy, and reduce waiting times for this service;**
- **They must scrutinise proposals for health service change constructively and objectively;**
- **They must be more focussed in their scrutiny of the quality and safety of patient services by planning and co-ordinating their work with the Healthcare Inspectorate Wales, the Care and Social Services Inspectorate for Wales, the Public Services Ombudsman for Wales and local authorities; and**
- **The Welsh Government must support these changes and amend the law relating to CHCs accordingly.**

F.12 Elsewhere in Chapter 2 we note the critical importance of integrating health and social care services effectively. Given that, it is anomalous and unjustifiable that NHS patients have the benefit of advocacy and advice from CHCs, but that once they move to a social care setting they do not. The acting director of the Board of CHCs agreed

[209] Public Services Ombudsman for Wales Annual Report 2012-13, p.11.

with this, and argued that CHCs' remits could usefully be extended to include residential social care too. We agree, and **we recommend that the Welsh Government should extend the remit of CHCs' advice and advocacy services to provide seamless support to those who use both health and residential social care services.**

F.13 We believe that CHCs' governance arrangements need reform to make these changes work. There is a potential conflict between CHCs' advice and advocacy work and their reporting lines into the Welsh Government, given its ultimate responsibility for health policy and health services. This adds to the sense of unclear accountability and potentially weak governance within the NHS as a whole. **We therefore recommend that the Welsh Government should continue to reinforce the independence of CHCs by changing their reporting line so that it is outside the remit of the Department for Health and Social Services**.

National Park Authorities

F.14 Each of the three National Parks in Wales has, since 1995, been governed by a separate National Park Authority (NPA). Two-thirds of the membership of each NPA is nominated by local authorities into which the Park extends significantly[210] with the remaining third nominated by the Welsh Government. NPAs have two basic duties: conserving and enhancing the area's natural beauty, wildlife and cultural heritage, and promoting opportunities for the understanding and enjoyment of its special qualities by the public; although where the two duties conflict, conservation takes precedence over promotion. They also act as planning authorities within the park, exercising the same range of planning functions as local authorities (which have no responsibility for planning within park areas).

F.15 Early on in our work, three leaders of local authorities which cover National Park areas called publicly for National Park Authorities to be abolished and for their functions to revert to local authorities,[211] as was the case before 1995. That prompted many strong representations on both sides of the argument.

F.16 Critics of NPAs tended to see them as unrepresentative, bureaucratic and duplicating and interfering with the roles of local authorities and others. For instance, the Federation of Small Businesses argued that NPAs were unrepresentative and were unable to take business and economic interests into account as they had no functions

[210] Where a Park extends only marginally into a local authority's area, that authority does not nominate any members. For instance, there are two small areas of Snowdonia in Powys; and small areas of the Brecon Beacons in Neath Port Talbot, Caerphilly and Herefordshire. In almost all cases these consist only of uninhabited tracts of upland.
[211] http://www.bbc.co.uk/news/uk-wales-23141348

in those areas. Carmarthenshire County Council (whose area includes part of the Brecon Beacons National Park) argued that NPAs created "unnecessary duplication in terms of planning, promotion, visitor services and countryside management"; Conwy County Borough Council (whose area includes part of Snowdonia National Park) and Pembrokeshire County Council (whose area includes the whole of the Pembrokeshire Coast National Park) equally felt there was needless duplication and complexity in the area of planning.

F.17 On the other hand, advocates of NPAs stressed their unique value and expertise in conserving the Parks as national assets while also responding to local needs. National Parks Wales, which represents all three NPAs, argued that
A county council, with its wider remit, would not be able to give the same focus and resources to a National Park that an NPA would... There is no evidence to suggest that [abolishing NPAs] would offer better value for public money or that National Park purposes would be delivered more effectively by local authorities, who have a much wider remit and are themselves facing a sustained period of change and significantly reducing resources.
The Campaign for the Protection of Rural Wales, meanwhile, argued that
Anything other than a dedicated Authority responsible for [National Parks] would not provide the necessary degree of integration required to manage the large geographic and often multi Authority areas over which our Protected landscapes extend.

F.18 The arguments here are finely balanced. In general, we believe that unnecessary duplication between organisations should be removed, in the interests of simplicity and efficiency, and to prevent scarce capacity from being spread too thinly. Strictly speaking, all of the functions of NPAs are replicated within local authorities. Many local authorities promote conservation, tourism and sustainable access to the countryside, and all of them are also planning authorities. Needless replication of planning functions is particularly concerning given the shortage of planning expertise which we note in Chapter 3. As a particularly visible example of duplication, it was pointed out to us that both Pembrokeshire County Council and the Pembrokeshire Coast NPA operate separate information centres around 200 yards apart in the town of Tenby.

F.19 Some local authorities also manage Areas of Outstanding Natural Beauty (AONBs[212]), which are smaller than National Parks but which have exactly the same status as protected landscapes. We heard nothing to suggest that local authorities'

[212] There are five AONBs wholly or partly in Wales: Anglesey (which extends around the coastline of the island); Llŷn (wholly in Gwynedd); Clwydian Range (mostly in Denbighshire; partly in Flintshire and Wrexham); Gower (wholly in Swansea) and Wye Valley (partly in Monmouthshire but mostly in Herefordshire and Gloucestershire).

management of AONBs was deficient; indeed the National Association of AONBs argued that

The model employed to enable delivery across [AONBs] is shown to be performing well. AONB governance exemplifies partnership working at the local level and each AONB unit is increasingly exploring the benefit of collaboration at a national scale.

This may undermine the claim that local authorities lack the expertise or focus to manage protected landscapes; and that dedicated authorities like NPAs are required.

F.20 On the other hand, we agree with National Parks Wales that NPAs have a focus and a level of expertise in conservation and sustainable access that could be fragmented and lost if responsibility were transferred to local authorities. National Parks are – as the name suggests – national assets, not just local ones. They generate an estimated £557 million in tourist revenue through visits which are on average significantly longer than those to parks in England or Scotland[213]. It is hard in light of this to conclude that NPAs are under-performing. While some local authorities may have shown they are capable of managing AONBs, only one local authority (Gwynedd) which includes part of a national park also includes all or most of an AONB. We cannot conclude from this that the others would have the capacity or expertise to assume management of National Parks. Indeed, the concerns expressed elsewhere about specialised capacity in local authorities means we doubt that they would. We would also be concerned that the value of the National Park brand and the promotion of the parks as tourist destinations would equally be fragmented.

F.21 Overall, we do not believe there is a convincing case for abolishing NPAs and transferring their functions to local authorities, as some argued. However, nor do we believe they should remain exactly as they are. We understand that the Welsh Government intends to review the governance of NPAs in light of our report, and would urge it to consider the following matters in particular.

Collaboration and synergy

F.22 There is very probably scope to improve the efficiency and co-ordination of NPA functions. That is all the more pressing since, as small organisations, they may suffer disproportionately from financial austerity in general and many of the problems of small scale which we discuss in Chapter 3. However, the solutions we propose there are not as applicable here. NPAs' boundaries are driven by the quality of the landscapes they protect, so it is clearly not possible to enlarge them to address scale problems. The solution must lie instead in better joint working between NPAs and others.

[213] Evidence from National Parks Wales

F.23 National Parks Wales set out several ways in which the NPAs themselves were working well together. This included sharing both 'back-office' functions and service delivery capacity. We commend them for that, and urge them to go further. We also believe there is scope for greater alignment between the NPAs' work and that of other organisations. All local authorities are also planning authorities; and there is a clear overlap between their role and NPAs, for instance in considering planning applications which adjoin or straddle Park boundaries. Both local authorities and, at the national level, Visit Wales promote tourism and provide facilities for visitors. While it is perfectly reasonable for NPAs to do so within the Parks, all such activity needs to be properly co-ordinated and integrated. Equally, NPAs' role in conservation and warden services appears to overlap with that of Natural Resources Wales. We are concerned that these overlaps merely replicate the need for scarce resources and cause confusion for residents and visitors. **We therefore recommend that NPAs must to develop clear and consistent ways of collaborating with each other, with local authorities, with Visit Wales and with Natural Resources Wales on the ground to avoid duplications and maximise the use of resources and scarce expertise.**

F.24 As we and they noted, National Parks are national assets; and aspects of their management (such as the promotion of sustainable access and tourism) need to reflect that and will demand very scarce expertise which is unlikely to be available within one NPA alone. Addressing this could and should include formalising the current arrangements to create clear national leadership on such issues, and to ensure that expertise in Park management is consistently and effectively shared between the three Parks. This could include arrangements for formally combining the NPAs as decision- and policy-making bodies for national-level purposes, and/or creating a single administrative and operational structure to support all three Parks and NPAs. We note that some possibilities in this area were also included in the Welsh Government's current consultation on a proposed Planning Bill[214]. **We therefore recommend that the Welsh Government, and the NPAs should secure national leadership and co-ordination to yield the most effective use of resources and expertise. The Government should consider doing so through a single authority whilst retaining the distinctive identities of the three parks.**

Accountability

F.25 Finally, we are concerned about the accountability of NPAs. While the majority of their membership comprises councillors nominated by their constituent local authorities, there is no guarantee that residents of a Park are represented by a councillor who is also a member of the NPA. There is not even a requirement that

[214] Welsh Government December 2013. *Positive Planning: Proposals to reform the planning system in Wales*. Consultation document WG20088

local authority members of NPAs represent wards within the Park. In practice, while many NPA members do represent Park areas, all three NPAs currently contain some members who do not.

F.26 These members have all been properly nominated by their local authorities and we do not doubt their competence or commitment. But none of their wards include any part of the Park area, and in some cases are a significant distance away. Such members are not democratically accountable for the decisions they make about the Park, because their electorate does not live in the Park. That in turn compromises the accountability of the NPAs as a whole.

F.27 Equally, many councillors who do represent areas of each Park are not members of the NPA. This means that residents of the Parks who wish to influence or complain about NPA decisions – most obviously in relation to planning matters – have weaker and more indirect channels for doing so than those who live outside the Parks. They cannot just approach their councillor if s/he is not an NPA member. Nor can they express their views about such decisions at the ballot box.

F.28 The rationale for having local authority nominees on NPAs is precisely to secure local representation and democratic accountability. While that is entirely right in principle, it is frustrated by nominating members who do not represent Park areas. In turn this means that NPAs' overall democratic accountability is unduly limited. We agree with National Parks Wales that change is needed in this area. The ultimate solution would be for the NPAs to be directly elected by Park residents, although we heard no conclusive evidence on this. **To reinforce local accountability and decision-making, we therefore recommend that local authority-nominated NPA members must represent wards which fall wholly within the Park area or, if that is impossible, partly within the Park area**[215]. The overall aim should be to ensure that the nominated membership of each NPA should represent wards with the maximum possible coverage of the Park's population. **The Welsh Government should also consider whether direct elections would strengthen such accountability.**

Fire and rescue authorities and services

F.29 As we explain in Chapter 6, there is strong evidence of sustained improvement in the performance of Wales's three fire services. They also provide a clear example of how a focus on prevention can deliver outcomes while reducing the need to provide high-

[215] Park boundaries and electoral boundaries are driven by fundamentally different issues and rarely coincide. While many wards are wholly within the Parks, many others are only partly so. Some authorities, such as Carmarthenshire or Merthyr Tydfil, would be unable to nominate any members if the requirement were for wards wholly within the Park.

cost responsive services.

F.30 However, we have concerns about formal accountability mechanisms within the fire service, and about the role of fire and rescue authorities (FRAs) in particular. FRAs are composed of councillors nominated by each of the local authorities in a fire service's area. In law, FRAs are directly responsible for the planning, management, oversight and delivery of fire and rescue services. The uniformed fire and rescue services, their chief officers, and their staff, premises, vehicles and equipment are merely the means by which the FRAs deliver those services: they have no separate existence in law.

F.31 In any public organisation it is of course common and essential for political or executive leaders to delegate service delivery to staff. However, that appears to be particularly extensive in the case of fire services, with the chief officers and their staff effectively developing, leading and delivering the service at both strategic and operational levels. It was clear from our evidence from the chairs of the FRAs and the chief officers that the former deferred to the latter on very many matters.

F.32 This is not surprising. As the City and County of Swansea Council noted in its response to us, FRA members "simply comprise local authority members in a different guise". It is asking perhaps too much of councillors on an FRA to lead and manage a highly professional uniformed emergency service, alongside their other roles and responsibilities as local authority members – and their private, employment or business interests which exist outside of that. The temptation to defer to chief officers in these circumstances is understandable, but undermines the basic purpose of FRAs.

F.33 The FRAs explained that they scrutinise their services, and had developed informal mechanisms for this.[216] However, their ability to do so is limited by the lack of formal separation between the FRA and the service. FRAs are executive bodies, not scrutiny bodies. We have no doubt that each FRA holds its officers to account in the same way as any other group of politicians does for the officers who serve them. But that is not scrutiny, which must be formally separated from executive and decision-making roles if it is to be effective. Otherwise members are unavoidably conflicted in scrutinising decisions which they themselves make or propose to make.

F.34 FRAs do have a distinct role in setting the budget for each service. However, that too has its problems. Over 95%[217] of each fire service's funding is made up of contributions from its constituent local authorities. In turn, local authorities receive

[216] For instance the North Wales FRA has established a Performance Audit and Scrutiny Committee, to which a separate Scrutiny Group reports. As its written evidence recognised, though, these are not equivalent to scrutiny committees in a local authority.
[217] Figures taken from individual fire authorities' 2012-13 accounts.

around 80% of their funding from the Welsh Government in one form or another. Yet neither the Welsh Government nor local authorities have any control over the level of fire service budgets or any formal role in monitoring expenditure and value for money. That does not necessarily mean that fire services are inefficient or that FRAs require excessive contributions from local authorities. But that cannot be assured as the current system does not generate adequate accountability for that funding.

F.35 That underlines the wider point about a lack of formal scrutiny within the system. The FRA collectively is responsible for setting the budget and for authorising and monitoring expenditure. Neither the authority nor any of the members who are party to those decisions can scrutinise them effectively before or after they are made. That needs to be corrected.

F.36 Nonetheless, the performance of Wales's fire services has been consistently strong, with a clear and effective focus on outcomes. Any changes must recognise that, and must enhance rather than undermine or disrupt the services' ability to maintain their record. They should simultaneously address the lack of formal scrutiny and the necessarily limited ability of the FRAs to provide executive and strategic leadership.

F.37 **We therefore recommend that FRAs must be reconstituted to provide effective scrutiny of fire services and their chief officers. As part of this:**

- **The chief fire officer should be legally responsible for planning, managing and delivering fire and rescue services, in a similar way as a chief constable is responsible for policing;**
- **Fire and Rescue authorities should focus on holding the chief officer and the service to account. This should include both pre-decision scrutiny of strategic service and financial decisions, and continual holding to account for delivery and expenditure;**
- **The Welsh Government, in consultation with the FRAs, the fire services, their staff and other interested parties, should develop detailed options for funding the services more transparently.** These could include a single unhypothecated grant, similar to the revenue support grant for local authorities, paid direct to the fire services; funding via a council tax precept[218]; or a process whereby local authorities continue to fund fire services, but which allows them and their audit committees formally to challenge and scrutinise fire service budget and expenditure decisions.

F.38 As we set out in the main chapter, we also believe there is scope for much greater and better-co-ordinated joint working between the fire and ambulance services – and possibly the police, if responsibility for policing is devolved. Developing and implementing that must be a matter for the services concerned. However, it will again

[218] Fire services in England are already funded in this way, as are police services in Wales and England.

be important to ensure proper accountability and scrutiny in this area. **We therefore recommend that the FRAs also assume responsibility for scrutinising joint working between the fire and ambulance services. In the future, and subject to further devolution a reconstituted body may be established with responsibility for providing scrutiny across all the emergency services.** At that point the Welsh Government may wish to consider whether the title 'Fire and Rescue Authority' should be broadened to reflect this wider remit.

Annex G: Complexity – Integrating Health and Adult Social Services

G.1 Improving the connections between health services and social services for adults is among the most critical strategic and delivery challenges faced by the public sector in Wales, or for that matter elsewhere. The increasingly ageing population necessarily means that more and more people will need both health and social care services on a continuing basis. Some of them are and will be among the most vulnerable members of society. If the two services are to be both efficient and effective, they need to interact harmoniously at both the strategic and operational levels, providing a seamless service for the growing number of users of both.

Our evidence

G.2 However, the prevailing view is that that is a long way from reality. We received a wide range of evidence expressing strong dissatisfaction with the current arrangements under which local authorities provide social care while the NHS provides health care. Many of those who responded to our public consultation commented that the two services were fragmented. The perception that the two services are hampered by different procedures and priorities was widespread, as was a sense of users being 'bounced' from one service to another and/or having to understand and negotiate overlapping responsibilities. Some gave us personal experiences of the severe difficulty this had caused them. For instance, Diverse Cymru included in its evidence to us an individual's experience that
when I broke my wrist no one asked how I would manage being a wheelchair user and also having been recently bereaved and so living on my own. Social services and health need to work more closely together to prevent individuals being bounced from one to the other continually to get all their needs met, taking time and resulting in some needs not being met, as it is not clear which service should meet them

G.3 This was also reflected in evidence which we received from organisations. For instance:

[A]ll sections of the public should be able to access services seamlessly when they need them, and not have to be passed back and forth between agencies whilst they argue who should provide the service and as is more often the case – who will pay for it.
(Royal College of Nursing)

There is a well established consensus that collaboration and integration of provision

across health and social care is crucial to achieving better outcomes in social services and social care, particularly for adults. To date, this shared aspiration has not translated into significant examples of full blown integration of services, budgets and workforce.... CSSIW assessed achieving collaboration with Health as an area of significant risk in at least eight local authorities in 2011/12. (Care and Social Services Inspectorate for Wales)

Health and adult social care need to be integrated. LHBs have been trying to integrate with limited success but there are clear pressures on the partners to not to work together at times. Social Services slow down process to help manage their system and vice versa. This conflict is not in the interests of the patient, and there needs to be a single budget. (NHS Confederation, oral evidence)

Community Mental Health Teams are multi-disciplinary, including Nurses from the health sector and Social Workers from Local Authorities. The success of these teams varies. Where there is a single manager for the team, a single set of processes and a common culture the team works well. Where the Nurses and Social Workers are separate and have different reporting lines, different processes and different IT systems the team does not work and is a 'bureaucratic nightmare'. (Hafal, oral evidence)

Despite evidence of excellent practice in areas like reablement there is a consensus that there needs to be a larger step change. This occurs in the context of a crisis of both NHS and social care services and the view that this can only be addressed by the full integration of the two services. Others in local government are more cautious arguing that there are already significant mechanisms in place to drive integration without again reverting to changing the whole system. (Welsh Local Government Association)

G.4 This was corroborated in a recent Wales Audit Office report[219] which noted that continuing healthcare (that is, a package of care that is arranged and funded solely by the NHS for individuals who are not in hospital but who have complex on-going healthcare needs) relies on effective collaboration between health and social services. The WAO found that this is highly variable across Wales, and that disputes between health and social care about eligibility and funding are not being resolved promptly.

A structural solution?

G.5 Overall, there is no doubt from the evidence we have seen that action is needed to improve integration between health and adult social services. The question is one of the form that action should take; and on that, views were much less clear. Most obviously, greater integration might be pursued by bringing responsibility for both

[219] Wales Audit Office June 2013. *Implementation of the National Framework for Continuing NHS Healthcare*

services under a single set of organisations. This is commonly expressed in terms of transferring responsibility for adult social services to the NHS[220], a move which one respondent described in evidence to us as "inevitable".

G.6 Our call for evidence did not seek views on that specific proposal. Its prevalence may, though, be reflected in the fact that some local authorities explicitly opposed it in their evidence:

a merger between Health and Social Services would be for financial reasons rather than quality of care and would not necessarily work in practice.(Wrexham County Borough Council, oral evidence)
There is a strong case to be made for the continuance of responsibility for social care remaining within local government but with more effective joint working with health and other partners where needed. The spiralling cost of care is well documented but removing it from LA control will only be a cost shunting exercise and the Secondary Care focus of the NHS would severely undermine the progress that the Authority has made in supporting people at home. (Blaenau Gwent County Borough Council)

G.7 Others went further and argued that responsibility for some health services should transfer to local government:
Regional Community Health provision could be run more effectively and efficiently in conjunction with Local Authorities Social Services who understand local needs better than remote unelected local health boards whose main focus is on clinical provision in hospital. (Ceredigion County Council)
The interface between health and social care is probably the prime example [of needless complexity]. We believe that these services would benefit from full integration at the community level, brought within local government accountability. Hospital based and more specialist services would then remain within the current Local health board footprint. (Carmarthenshire County Council)

G.8 The numerous unsolicited views we received about such transfers of responsibility reflects the widespread sense that change is needed. It also means that we need to evaluate such proposals in detail.

G.9 The underlying problem here is one of a lack of integration caused by a clash of priorities, processes, values and funding models between health and social services departments. Some of those might be addressed by bringing both services under a single umbrella. Most obviously, doing so could reduce complexity from both organisations' and users' perspectives. It would mean that individuals' health and

[220] For instance, in a debate in the National Assembly for Wales on 2 October 2013: http://www.assemblywales.org/docs/rop_xml/131002_plenary_bilingual.xml#103316

social care needs would be met by a single organisation, and that delays and disputes about eligibility, provision and funding could be addressed within that organisation rather than between two different ones. That could in turn tackle some of the poor service which is currently visible in the delayed transfers of care performance we consider in Chapter 6.

G.10 Evidence from elsewhere suggests that structural change can work. For instance, in 2005 Torbay Council and Torbay Primary Care Trust established a unified organisation (Torbay Care Trust) to deliver health and adult social care functions. It has been widely acknowledged by the King's Fund and others as a success and led to a reduced use of hospital beds, low rates of emergency hospital admissions for those aged over 65, and minimal delayed transfers of care.

G.11 However, over a larger area the impact has been much more mixed. Northern Ireland, for instance, has had a structurally integrated system of health and social care since 1973. Until 2009, health and social services were delivered by four health and social services boards, organised on a geographical basis, and 18 trusts. The 2009 reform created one health and social care board and 5 local commissioning groups with delivery through five health and social care trusts – yet neither this reform nor the preceding system has prevented the same problems of disjointed delivery seen elsewhere.

G.12 The King's Fund reviewed this and other evidence in a recent report.[221] It concluded that formal merger of health and social care systems was unlikely to work without, for instance:

- Coherent policies to promote and support integrated care including a national performance framework and single outcomes framework;
- Governance arrangements that enable different organisations (especially NHS and local authorities) to work together to develop joint strategies;
- Political, clinical and managerial leadership at all levels that ensures a clear and consistent focus on integrated care;
- Organisational stability to avoid the distractions and delays that occur when structures are altered frequently;
- A willingness to challenge and overcome the professional, cultural and behavioural barriers to integrated care both within the NHS and between NHS and Local Government;
- A long term commitment to integrated care as a policy priority; a willingness to fund and be flexible in order to support new models of care; and

[221] http://www.kingsfund.org.uk/publications/integrated-care-northern-ireland-scotland-and-wales

- Action to share information both within the NHS and between health and social care.

G.13 The report therefore recommended that there was no compelling case for pursuing such a merger. While that recommendation was addressed to the English health and social care system, there is no reason to ignore it here. Indeed it is largely substantiated by recent research commissioned by the Welsh Government[222] which equally found no compelling case.

G.14 We agree. There is a tempting but superficial view that moving responsibility for adult social services from local government to the NHS will necessarily and automatically integrate it with other health services. As the King's Fund recognised, there is much more required to achieve that. In their evidence to us, the Royal College of Nursing also observed that:

It is not organisational structures that ensure better integrated working, it is about the people within those organisations and the way they work with each other. It is paramount that professional relationships are built on recognising the distinct knowledge and expertise that we all bring to the table.

That was echoed by Torfaen County Borough Council, who argued that
It is perfectly possible to provide seamless services across organisations through joint working focused on shared outcomes with clear working procedures in place. The key issue is that the service should be built around the experience of the end user and not the convenience of the organisations concerned. A lack of seamlessness can be just as much of an issue within different parts of an organisation as between organisations. In either case, it is not the organisational structures but the leadership and a culture of customer focus that will resolve the problem.

G.15 Structural change or merger risks overlooking that crucial point. The mechanics of transferring functions may all too easily distract from these more qualitative considerations. It is far from clear that simply brigading two functions under one organisation will align their processes, governance arrangements, cultures and values – perhaps particularly given the distinctiveness of the medical and social work professions. There may even be a risk of social services being de-prioritised or neglected within organisations which were previously dominated by health concerns, as appears to have happened in Northern Ireland[223].

[222] http://wales.gov.uk/about/aboutresearch/social/latestresearch/realistic-evaluation-integrated-health-social-care-older-people-wales-promote-independence-wellbeing/?lang=en
[223] King's Fund, *ibid.*

G.16 More generally, there are numerous examples of services provided by the same organisation which are not well-aligned. For instance, the Assembly's Communities, Equalities and Local Government Committee has found that service departments within the same local authority do not always work well together in delivering housing adaptations for people with disabilities[224]. While that equally needs to be addressed, similar or worse problems in merged health and social services departments might be expected, at least in the short to medium term. Alongside the disruption that merger would be likely to cause, the result could actually be worse service integration, not better.

G.17 A further substantial problem would arise from different funding models. NHS care is generally free at the point of delivery, whereas users pay for many social services. Removing that discrepancy would either cost a very significant sum of money or would entail levying charges for health care. Retaining it would clearly undermine the sense of a single organisation providing a single service.

G.18 Finally, and even if such barriers could be overcome, transferring responsibility for adult social services might make better connections with health services, but only at the cost of weakening the connection with other local government services for the individual and their wider family or support network. For instance, it could make the transition from children's to adult social services more problematic if clients who needed continuing social care had to move from a local authority to an NHS service at age 19. It could also undermine integration with local authority housing and transport services on which adult social services clients often rely. In short, transferring responsibility – even if it worked on its own terms – risks solving one problem only by creating others.

G.19 **We are therefore not persuaded that there should be any change in formal responsibility for health and adult social services across Wales at this stage.** However, as the Torbay example shows, this approach can work locally with sufficient commitment and leadership. We would not wish to rule it out completely if local partners wish to pursue it, or in the longer term if more informal integration proved unsuccessful. Indeed, we propose exactly such an approach to address the highly distinctive challenges of service governance and delivery in Powys (see below).

Other solutions

G.20 That absolutely does not mean that current patterns of service delivery can remain as they are. There is an urgent need to integrate health and adult social services better in

[224] National Assembly for Wales Communities, Equality and Local Government Committee July 2013. *Inquiry into Home Adaptations*

many parts of Wales. If that is not to involve transferring responsibility, it must – to reiterate the WLGA's view – entail 'a larger step change' in efforts to improve strategic and operational partnerships between local government and the NHS.

G.21 There are certainly some examples of good practice already:

- As our analysis of performance in Chapter 6 shows, at least some local authorities and LHBs have consistently managed the interface between health and social care well, and have very low levels of delays in transferring patients from one system to another.
- In its written evidence, the WLGA drew attention to the success that reablement – providing intensive short-term support to those leaving hospital care – has had in some parts of Wales. It cited the Bryn y Cae reablement centre, jointly run by Bridgend County Borough Council and Abertawe Bro Morgannwg LHB. In its first year, the centre supported 32 of 39 clients to live independently, without any continuing need for care, and saved approximately £500,000 as a result.
- The Gwent Frailty Project has been widely hailed for its success in integrating services (including non-devolved and third sector services) for frail and vulnerable people in its area. All partners share a common strategic approach and pool their budgets to deliver it. The Project is currently the largest single integrated care programme in Wales.

G.22 It is clear from this that there is the potential to improve integration whether through joint management, integrated planning, pooled budgets or other means. These and other techniques to drive integration already exist, and they can be enhanced at the level of frontline delivery by creating joint teams of care providers and single points of contact for service-users. However, these remain local and uncoordinated initiatives. For instance, in its evidence to us the WLGA noted that pooled health and social care budgets in England amounted to some £3 billion, but in Wales to only £20 million. The Association added that "Translating [current local integration initiatives] into mainstreamed transformation remains the "silver bullet" of Welsh public policy".

G.23 We agree with the WLGA. The recommendations we have made in this report, in particular about more effective collaboration and about leadership across organisational boundaries, will help in achieving this in the longer term. But the need for change is more pressing than that.

G.24 We therefore support the Welsh Government's moves to ask each local health board and the local authorities in their areas to develop an agreed Statement of Intent for integration of health and social services for older people with complex needs; and to submit these by end of January 2014. These can and should form the basis for a more

consistent and effective approach across Wales.

G.25 We also note the terms of the Social Services and Wellbeing Bill currently being considered by the National Assembly for Wales. Amongst other provisions, the Bill would:

- Require the Welsh Government to set out an overarching outcomes framework for social services;
- Provide the legal framework for collaboration and integration between local authorities, the NHS and other relevant partners;
- Require that local authorities exercise their social services functions with a view to ensuring the integration of care and support provision with health and health related provision;
- Require each local health board and local authority to jointly assess the needs of individuals in their area and assess whether these needs are being met, and the provision of preventative services;
- Require local authorities to make arrangements to promote co-operation with their partners with a view to improving the quality of care for adults; and
- Provide Ministers with new powers to direct specific partnerships between local authorities and between local authorities and health boards and to direct particular service models.

G.26 This is welcome as a means of driving more consistent and effective integrated provision for citizens, provided that it is applied in a way which stimulates rather than stifles local initiatives and innovations. As we argue in the main chapter, there can be a tendency to over-prescribe the details of how partnerships operate rather than the purposes and objectives they should pursue.

G.27 Taken together, we believe these measures could start to drive further integration for users. We welcome the development of statements of intent by January 2014. But this must be much more than a simple statement of intent to integrate. It must be followed up with prompt, detailed and effective action which genuinely achieves this and delivers a seamless service to patients, care users and their families. LHBs and local authorities need to commit fully to this, and need to be held accountable for delivery.

G.28 As the Bill recognises, there is a need to identify the population in need and the preventative services that are required. We note, however, that the Bill will not come into force before 2016. Change cannot wait that long, and the passage of the Bill should not be used as a reason for neglecting opportunities which can be taken now. That would be to neglect the very real and critical pressure to provide genuinely integrated services for frail elderly people in particular. There is an overwhelming and

urgent need for pace, and passion, to improve the lives of those who use or might need these services.

G.29 **We therefore recommend that urgent action is required to ensure that seamless, integrated and high-quality health and social services are provided across Wales:**

- **All local authorities and LHBs must prepare clear and robust plans for integrating their services;**
- **These must include detailed proposals, milestones, targets and outcomes for improved and integrated delivery for all relevant services. The Welsh Government must monitor their implementation;**
- **If these proposals are not implemented well or quickly enough, the Welsh Government should consider directing local authorities and local health boards to integrate, either using existing powers or those in the Social Services and Wellbeing Bill, if enacted.**

Powys

G.30 As we indicate in the main chapter, the principle of coterminosity between health boards and local authorities is of prime importance. There is no sense in introducing further complexity into the system by having health and social care providers work within conflicting boundaries.

G.31 The county of Powys already has a distinctive approach to providing health services which reflects the wider challenges around service provision in the county. Powys is one of the most sparsely populated areas of the UK and lacks any major population centres; its population is insufficient to sustain any major hospitals. Powys Teaching Health Board is therefore largely a commissioner rather than a provider of services. The distribution of the county's population and its transport links means that the Health Board commissions much of its care from the English NHS.

G.32 That distinctive set of challenges, the radically different model of provision and the need to maintain coterminosity argues strongly for a distinctive solution for health and social care integration in the county. Both the County Council and the Health Board are already heavily focused on commissioning rather than directly providing care in ways which meet the unique needs of Powys and its people. There is much less risk of a social services department being dominated by an NHS organisation with a focus on direct provision of hospital care or by the values and culture of the medical professions. The main services which the Health Board does provide directly are outpatients, mental health, community and primary care services which fit more closely with the social services provided by the County Council. At the same time, as we explain in Chapter 3, we are concerned to ensure adequate capacity for strategic

management and service delivery in Powys as in the rest of Wales.

G.33 Accordingly, and **because of the unique characteristics of the county of Powys and the distinctive patterns of service delivery that this creates, the County Council and the Health Board should merge.** We are aware that this is not a new idea. Steps were taken to explore this approach in 2009-2010 and we believe it should be possible to learn from the issues which appeared to impede progress at the time and to build on the benefits which were identified both in the jointly commissioned options appraisal and the subsequent plans for implementation by KPMG.

G.34 Achieving these benefits will not be easy; it will call for strong and committed political and executive leadership. But we believe the case for change remains very strong in principle; and as we set out below, many of the obstacles which may have existed in 2009 no longer apply.

G.35 In July 2009 Powys Teaching Health Board and Powys County Council jointly commissioned and agreed an options appraisal.[225] The appraisal noted:
As *pressures increase, there is a danger that each organisation will look internally to respond. Tough decisions will have to be made and these could be made independently of each other as each organisation seeks to protect its financial position and accountability, which is to different ministers in the Assembly Government. Yet two relatively small public sector bodies working through the challenges together have considerably more chance of success than each trying to do its own thing. Some efficiencies and service improvements can only be realised through a more integrated approach.*
The Council and Teaching Health Board both approved in principle the option appraisal's recommendation for full merger and in March 2010 they jointly appointed KPMG to explore the options further. KPMG delivered their report in May 2010. Their report estimated savings at £6.5m to £14m per year but more significant was the opportunity to deliver improved services and outcomes.

G.36 At the time the report identified issues which would need to be resolved in taking forward a merger. These included the financial position of the health board, specifically the historic deficit, and cost of maintaining current provision. There was a need for clarity on:

- The arrangements for legislation to create a single body;
- Financial and in-kind support from Welsh Government, including the flexibilities during the transition period; and

[225] Powys County Council and Powys Teaching Local Health Board July 2009. *Improving Public Services: Joint Options Appraisal Project*

- The handling of redundancy of NHS staff (in the then circumstances of a no redundancy policy around the re-structuring of the health boards).

It was acknowledged that work would need to be done on suitable governance arrangements and lines of accountability, and that there were risks around the skills and capacity to make the changes required and the pace and approach to implementation. None of these were then regarded as insuperable.

G.37 The expansion of the Assembly's legislative powers following the 2011 referendum could remove many of the legal uncertainties. Following the completion of the programme of re-structuring in the Health Service in Wales, the no redundancy policy is no longer in force. The KPMG analysis of the options noted the considerable steps that could be taken through best use of existing powers. This included the opportunity to create a single agreement between the Council and the Health Board to allow either NHS staff to exercise Council functions or vice versa using pooled budgets and that there was no limit on the size of a pooled budget. [226] Some of the corporate and shared service savings from the health board may have been realised since through the NHS shared services body; but the opportunities for improving services and reducing costs set out in the joint options appraisal were not then, and have not been subsequently, disputed.

G.38 There should be a two-stage approach to creating this merged body. The original joint options appraisal and subsequent analysis by KPMG included actions which could be taken forward by the two bodies to make substantial progress towards this in advance of legislative change. At a minimum the steps towards joint integration short of a full merger (as identified in the Joint option appraisal and the KPMG report) should be identified and begun by April 2015. Legislation and the full creation of a new single body should follow within 3 years. For instance, steps could be taken to create a shared management team, or to appoint members of the Council's executive as members of the health board. **Taking this forward will require the wholehearted commitment of political and executive leaders in the Council and the Health Board and full support and engagement from the Welsh Government**. We strongly believe that the course we have proposed represents a major opportunity to transform governance and delivery in this unique part of Wales. Indeed, we believe it is the only viable option for doing so. We urge the County Council, the Health Board and their respective leaderships to respond accordingly.

G.39 As we describe in Chapter 4, strong effective governance and good scrutiny are key to the delivery of effective and responsive services. The governance and scrutiny of this new body will be critical and early clarity is essential. We consider that there should

[226] Health Act 1999; NHS (Wales) Act 2006 s33; and the Local Authorities Partnership arrangements (Wales) Regulations 2000.

be no reduction in the democratic oversight of the services currently under the governance of the Council. This offers the opportunity to explore the benefits of increased local democratic engagement in the health care of the population of Powys. **We therefore recommend that:**

- **The Health Board and the Council, with the support of the Welsh Government, should immediately begin action to integrate their governance, management and delivery structures fully. They should define these arrangements by the end of 2014-2014, and implement them immediately thereafter**. The funding arrangements for a new body should be clarified in the same timescale.
- **The Welsh Government and the National Assembly for Wales, in consultation with the County Council and the Health Board, should define and legislate for a new single body to provide integrated health and local government services in the county. The new body must be established as a going concern, that is, with no historic health deficit and with stable ongoing funding arrangements consistent with the approach to health and local government services in the rest of Wales.**

Annex H: Details of Merger Proposals

Summary

					Population				Council tax				
Scenario		Number of authorities	Number of coun cillors	Citizens per councillor	Largest	Smallest	Average	Ratio largest: smallest	Average rise	Largest rise	Average fall	Largest fall	Formal partner relationships (see note)
1	Pairing; Powys/Carms/Swansea separate; BG / Caerphilly / Torfaen merged	12	894	3,368	472,121	133,071	255,313	3.55	+5.1%	+10.1%	-6.17%	-18.64%	50
2a	As 1; Bridgend / NPT / Swansea merged	11	822	3,663	517,981	133,071	278,523	3.89	+5.5%	+10.1%	-6.32%	-18.64%	46
2b	As 1; Carms / Ceredigion / Pembs merged	11	820	3,672	472,121	133,071	278,523	3.55	+6.1%	+18.5%	-5.72%	-18.64%	46
3	Combined 2a & 2b	10	748	4,025	517,981	133,071	306,376	3.89	+6.6%	+18.5%	-5.81%	-18.64%	42
	Wales current	*22*	*1254*	2,401	*345,442*	*58,851*	*139,262*	*5.87*	-	-	-	-	*88*

Note: "Formal partner relationships" refers to the number of bilateral relationships that would exist between local authorities, and health boards, police forces, fire services and education consortia. It assumes no changes to current boundaries for these organisations.

Scenario		Number of authorities	Reduction in partnership complexity	Councillor-citizen ratio*	Excess scale issues	Coherence of areas	Council tax uniformity	Other anomalies
1	Pairing; Powys, Carmarthenshire and Swansea separate; BG / Caerphilly / Torfaen merged	12	Relatively low: only 3 of 7 LHBs deal with single local authority	Lower than England or Scotland	None	Reasonably good	Reasonably good	3 local authorities left alone; Cardiff merged but not Swansea.
2a	As 1; Bridgend / NPT / Swansea merged	11	Medium: 4 of 7 LHBs deal with single local authority	Similar to England	Bridgend / NPT / Swansea v. high population	Reasonably good	Reasonably good	Carmarthenshire left alone but Cardiff / Swansea anomaly removed
2b	As 1; Carms / Ceredigion / Pembs merged	11	Medium: 4 of 7 LHBs deal with single local authority	Similar to England	Carms / Ceredigion / Pembs v. large area	Medium: Carms / Ceredigion / Pembs questionable	Poor in Carms / Ceredigion / Pembs Pembs rise by ≈19%	Cardiff merged but not Swansea
3	Combination of 2a and 2b	10	Relatively good: 5 of 7 LHBs deal with single local authority	Higher than England; lower than Scotland	Carms / Ceredigion / Pembs" v. large; Bridgend / NPT / Swansea v. high population	Medium: "Carms / Ceredigion / Pembs" questionable	Poor in Carms / Ceredigion / Pembs: Pembs rise by ≈19%	None

* assuming 75-member cap retained

Coterminosity

All organisations of (exactly) the same colour have or would have identical boundaries

Option		No. of authorities	Isle of Anglesey	Gwynedd	Conwy	Denbighshire	Flintshire	Wrexham	Powys	Ceredigion	Pembrokeshire	Carmarthenshire	Swansea	Neath Port Talbot	Bridgend	Rhondda Cynon Taf	Merthyr Tydfil	Vale of Glamorgan	Cardiff	Blaenau Gwent	Caerphilly	Torfaen	Newport	Monmouthshire
1	Minimum change	12																						
2a	As 1; Bri. / NPT / Swa. merged	11																						
2b	As 1; Carms / Cered. / Pembs merged	11																						
3	Combined 2a & 2b	10																						
Health			Betsi Cadwaladr						Powys	Hywel Dda			Abertawe Bro Morgannwg			Cwm Taf		Cardiff & Vale		Aneurin Bevan				
Police			North Wales						Dyfed Powys				South Wales							Gwent				
Fire			North Wales						Mid and West Wales							South Wales								
Education			North Wales						South West and Mid Wales							South Wales Central				South East Wales				

The following pages present detailed data for each option. Note that (a) the figures for **councillors** assume that the 75-member cap remains; (b) data for **Welsh-speakers** are from the Welsh Government's 2012 annual population survey; (c) **density** is in persons per square kilometre; (d) **deprivation** is expressed in the percentage of areas in the most deprived 10% in Wales; and (e) **council tax** is at current average band D rates, including police precepts, with the rates in merged areas calculated at the weighted average of current rates.

(1) 12 local authorities, pairing, Powys / Carms / Swansea separate; Caerphilly / Torfaen / Blaenau Gwent merged

			Welsh-		Deprivation	Conv.	Council tax		Partners			
Current authorities	Population	Councillors	speakers %	Density	%	Funding?	Rate	Change	LHB	Police	Fire	Education
Isle of Anglesey	69913	30	63.0	96	2	Yes	1194.14	+6.9%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Gwynedd	121523	75	72.5	47	4	Yes	1323.29	-3.6%				
	191436	**75**	**69.1**	**58**	**3**		**1276.12**					
Conwy	115326	59	34.9	98	3	Yes	1176.25	+6.1%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Denbighshire	93919	47	32	115	10	Yes	1336.35	-6.6%				
	209245	**75**	**33.6**	**105**	**6**		**1248.11**					
Flintshire	152666	70	24.8	342	4	No	1221.10	-0.8%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Wrexham	135070	52	18.2	265	6	No	1200.55	+0.9%				
	287736	**75**	**21.6**	**301**	**5**		**1211.45**					
Powys	**133071**	**73**	**24.4**	**25**	**1**	No	**1202.70**	-	Powys	Dyfed Powys	Mid & West	SWAMWAC
Ceredigion	75293	42	55.5	43	0	Yes	1205.47	-11.9%	Hywel Dda	Dyfed Powys	Mid & West	SWAMWAC
Pembrokeshire	122613	60	20.4	72	4	Yes	974.36	+9.0%				
	197906	**75**	**34.4**	**57**	**3**		**1062.29**					
Carmarthenshire	**183961**	**74**	**47.3**	**76**	**5**	Yes	**1253.71**	-	Hywel Dda	Dyfed Powys	Mid & West	SWAMWAC
Swansea	**238691**	**72**	**16.2**	**615**	**12**	Yes	**1219.52**	-	Abertawe BM	South Wales	Mid & West	SWAMWAC
Neath Port Talbot	139880	64	22	311	15	Yes	1475.59	-4.4%	Abertawe Bro Morgannwg	South Wales	Mid & West South Wales	SWAMWAC Central South Wales
Bridgend	139410	54	15.6	537	11	Yes	1346.83	+4.8%				
	279290	**75**	**18.9**	**394**	**13**		**1411.32**					
Rhondda Cynon Taf	234373	75	18.8	552	18	Yes	1397.91	+0.4%	Cwm Taf	South Wales	South Wales	Central South Wales
Merthyr Tydfil	58851	33	16.8	502	25	Yes	1427.60	-1.7%				
	293224	**75**	**18.4**	**541**	**19**		**1403.87**					
Vale of Glamorgan	126679	47	16.3	718	6	No	1206.33	-5.3%	Cardiff & Vale	South Wales	South Wales	Central South Wales
Cardiff	345442	75	18.9	2431	16	No	1119.67	+2.1%				
	472121	**75**	**18.1**	**1482**	**13**		**1142.92**					
Caerphilly	178782	73	19.6	624	15	Yes	1127.86	+10.1%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Blaenau Gwent	69812	42	16.8	629	23	Yes	1525.90	-18.6%				
Torfaen	91190	44	17.3	377	7	Yes	1246.41	-0.4%				
	339784	**75**	**17.1**	**531**	**19**		**1241.46**					
Newport	145785	50	17.7	742	15	No	1057.24	+6.5%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Monmouthshire	91508	43	20.2	104	0	No	1236.47	-8.9%				
	237293	**75**	**19.3**	**220**	**10**		**1126.36**					

2a. 11 local authorities, as (1) but merging Bridgend / NPT / Swansea

Current authorities	Population	Councillors	Welsh-speakers %	Density	Deprivation %	Conv. Funding?	Council tax Rate	Council tax Change	Partners LHB	Partners Police	Partners Fire	Partners Education
Isle of Anglesey	69913	30	63.0	96	2	Yes	1194.14	+6.9%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Gwynedd	121523	75	72.5	47	4	Yes	1323.29	-3.6%				
	191436	**75**	**69.1**	**58**	**3**		**1276.12**					
Conwy	115326	59	34.9	98	3	Yes	1176.25	+6.1%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Denbighshire	93919	47	32	115	10	Yes	1336.35	-6.6%				
	209245	**75**	**33.6**	**105**	**6**		**1248.11**					
Flintshire	152666	70	24.8	342	4	No	1221.10	-0.8%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Wrexham	135070	52	18.2	265	6	No	1200.55	+0.9%				
	287736	**75**	**21.6**	**301**	**5**		**1211.45**					
Powys	**133071**	**73**	**24.4**	**25**	**1**	No	**1202.70**	-	Powys	Dyfed Powys	Mid & West	SWAMWAC
Ceredigion	75293	42	60.9	43	0	Yes	1205.47	-11.9%	Hywel Dda	Dyfed Powys	Mid & West	SWAMWAC
Pembrokeshire	122613	60	26.5	72	4	Yes	974.36	+9.0%				
	197906	**75**	**40.3**	**57**	**3**		**1062.29**					
Carmarthenshire	**183961**	**74**	**47.3**	**76**	**5**	Yes	**1253.71**	-	Hywel Dda	Dyfed Powys	Mid & West	SWAMWAC
Swansea	238691	72	16.2	615	12	Yes	1219.52	+8.5%	Abertawe Bro Morgannwg	South Wales	Mid & West South Wales	SWAMWAC Central South Wales
Neath Port Talbot	139880	64	22	311	15	Yes	1475.59	-10.3%				
Bridgend	139410	54	15.6	537	11	Yes	1346.83	-1.8%				
	517981	**75**	**17.6**	**471**	**13**		**1322.94**					
Rhondda Cynon Taf	234373	75	18.8	552	18	Yes	1397.91	+0.4%	Cwm Taf	South Wales	South Wales	Central South Wales
Merthyr Tydfil	58851	33	16.8	502	25	Yes	1427.60	-1.7%				
	293224	**75**	**18.4**	**541**	**19**		**1403.87**					
Vale of Glamorgan	126679	47	16.3	718	6	No	1206.33	-5.3%	Cardiff & Vale	South Wales	South Wales	Central South Wales
Cardiff	345442	75	18.9	2431	16	No	1119.67	+2.1%				
	472121	**75**	**18.1**	**1482**	**13**		**1142.92**					
Caerphilly	178782	73	19.6	624	15	Yes	1127.86	+10.1%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Blaenau Gwent	69812	42	16.8	629	23	Yes	1525.90	-18.6%				
Torfaen	91190	44	17.3	377	7	Yes	1246.41	-0.4%				
	339784	**75**	**17.1**	**531**	**19**		**1241.46**					
Newport	145785	50	17.7	742	15	No	1057.24	+6.5%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Monmouthshire	91508	43	20.2	104	0	No	1236.47	-8.9%				
	237293	**75**	**19.3**	**220**	**10**		**1126.36**					

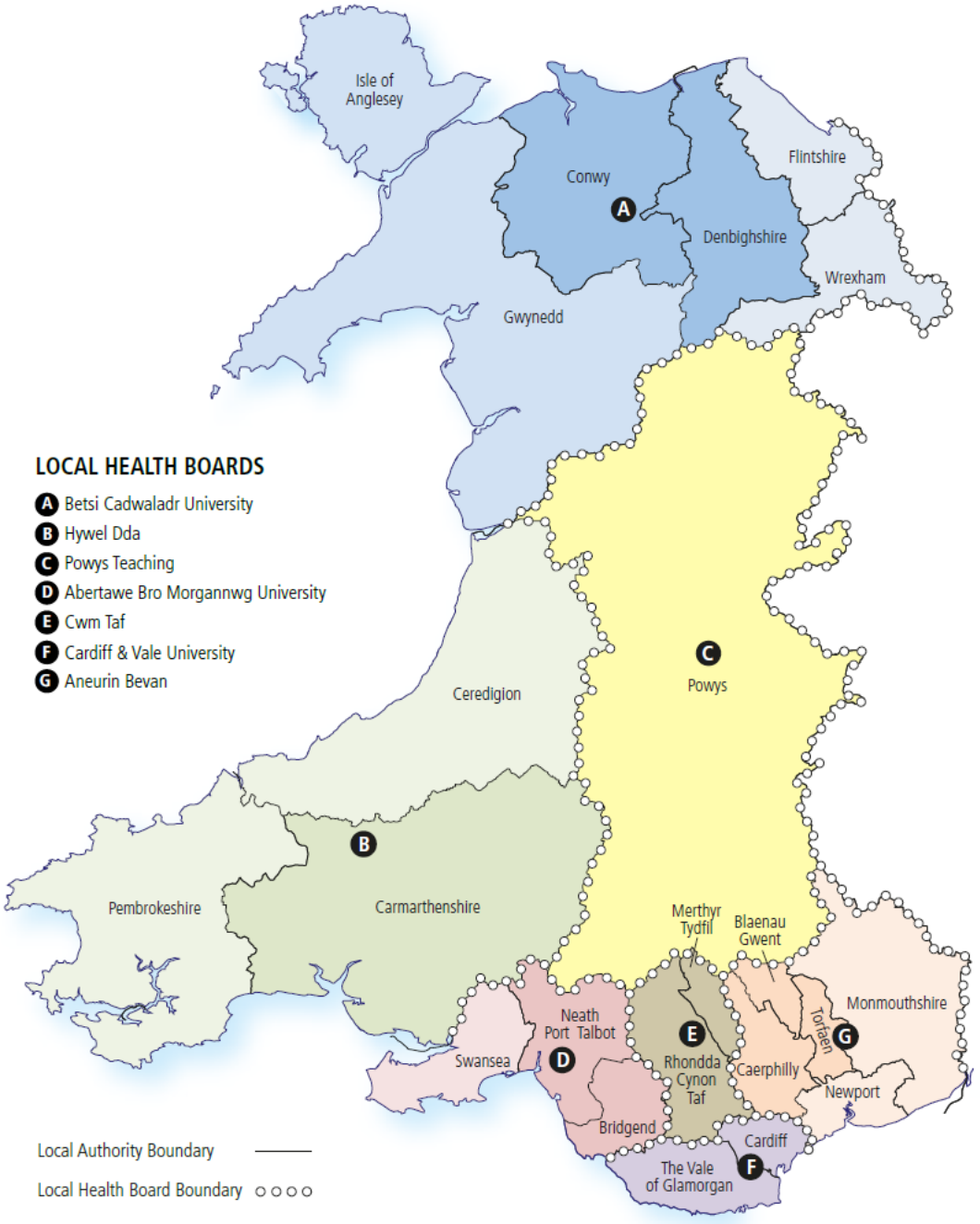
2b. 11 local authorities, as (1) but mergingCarms / Ceredigion / Pembs

Current authorities	Population	Councillors	Welsh-speakers %	Density	Deprivation %	Conv. Funding?	Council tax Rate	Change	Partners LHB	Police	Fire	Education
Isle of Anglesey	69913	30	63.0	96	2	Yes	1194.14	+6.9%	Betsi Cadwaladr	North Wales	North Wales	North Wales
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Pembrokeshire	122613	60	20.4	72	4	Yes	974.36	+18.5%				
Carmarthenshire	183961	74	47.3	76	3	Yes	1253.71	-7.9%				
	381867	**75**	**40.6**	**65**	**4**		**1154.50**					
Swansea	**238691**	**72**	**16.2**	**615**	**12**	Yes	**1219.52**	-	Abertawe BM	South Wales	Mid & West	SWAMWAC
Neath Port Talbot	91508	64	22	311	15	Yes	1475.59	-5.3%	Abertawe Bro Morgannwg	South Wales	Mid & West South Wales	SWAMWAC Central South Wales
Bridgend	139410	54	15.6	537	11	Yes	1346.83	+3.8%				
	230918	**75**	**18.9**	**394**	**13**		**1397.85**					
Rhondda Cynon Taf	234373	75	18.8	552	18	Yes	1397.91	+0.4%	Cwm Taf	South Wales	South Wales	Central South Wales
Merthyr Tydfil	58851	33	16.8	502	25	Yes	1427.60	-1.7%				
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Newport	145785	50	17.7	742	15	No	1057.24	+6.5%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Monmouthshire	91508	43	20.2	104	0	No	1236.47	-8.9%				
	237293	**75**	**19.3**	**220**	**10**		**1126.36**					

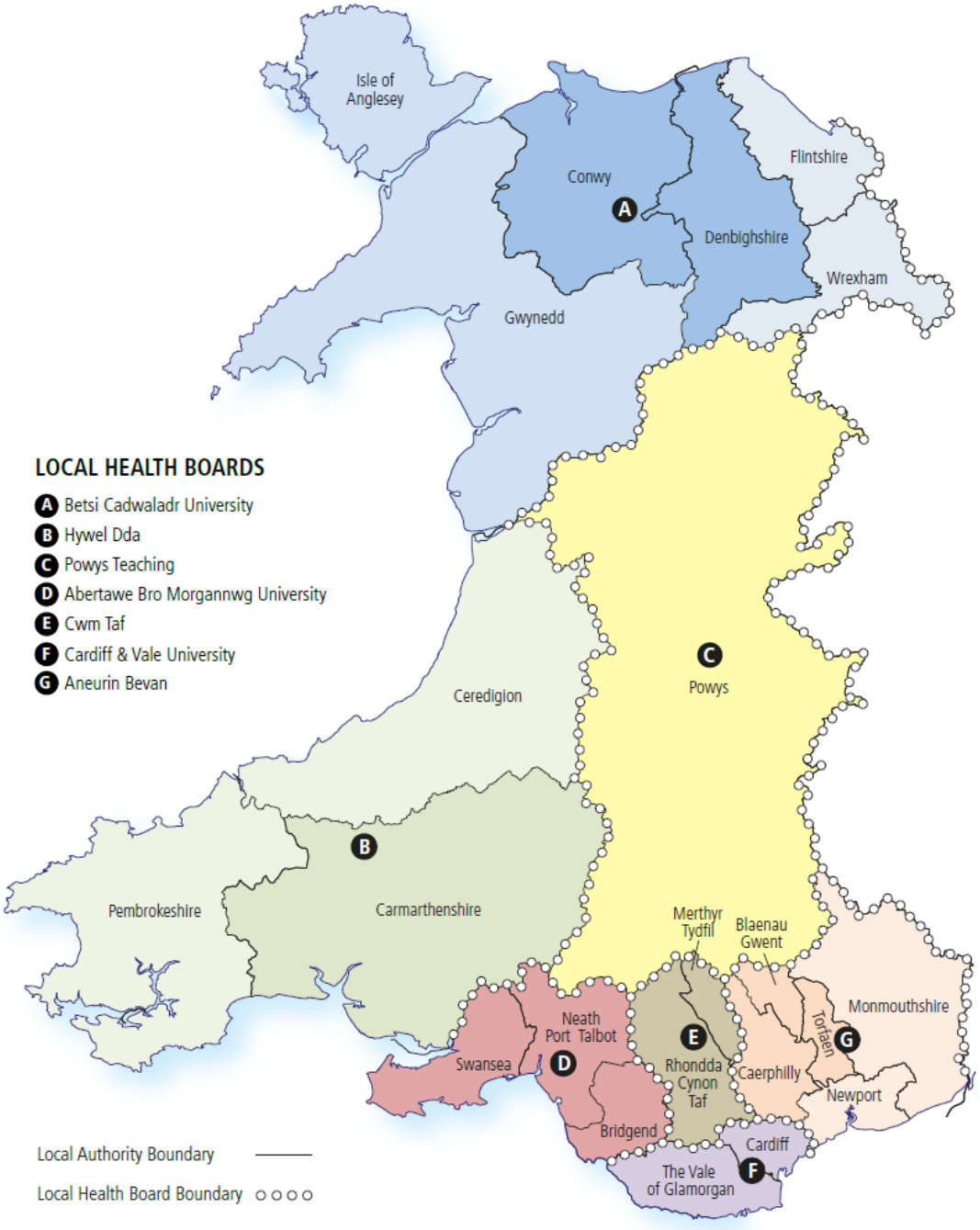
(3) 10 local authorities, combining 2a and 2b

Current authorities	Population	Councillors	Welsh-speakers %	Density	Deprivation %	Conv. Funding?	Council tax Rate	Council tax Change	Partners LHB	Police	Fire	Education
Isle of Anglesey	69913	30	63.0	96	2	Yes	1194.14	+6.9%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Gwynedd	121523	75	72.5	47	4	Yes	1323.29	-3.6%				
	191436	**75**	**69.1**	**58**	**3**		**1276.12**					
Conwy	115326	59	34.9	98	3	Yes	1176.25	+6.1%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Denbighshire	93919	47	32	115	10	Yes	1336.35	-6.6%				
	209245	**75**	**33.6**	**105**	**6**		**1248.11**					
Flintshire	152666	70	24.8	342	4	No	1221.10	-0.8%	Betsi Cadwaladr	North Wales	North Wales	North Wales
Wrexham	135070	52	18.2	265	6	No	1200.55	+0.9%				
	287736	**75**	**21.6**	**301**	**5**		**1211.45**					
Powys	**133071**	**73**	**24.4**	**25**	**1**	No	**1202.70**	-	Powys	Dyfed Powys	Mid & West	SWAMWAC
Ceredigion	75293	42	55.5	43	0	Yes	1205.47	-4.2%	Hywel Dda	Dyfed Powys	Mid & West	SWAMWAC
Pembrokeshire	122613	60	20.4	72	4	Yes	974.36	+18.5%				
Carmarthenshire	183961	74	47.3	76	3	Yes	1253.71	-7.9%				
	381867	**75**	**40.6**	**65**	**4**		**1154.50**					
Swansea	238691	72	16.2	615	12	Yes	1219.52	+8.5%	Abertawe Bro Morgannwg	South Wales	Mid & West South Wales	SWAMWAC Central South Wales
Neath Port Talbot	139880	64	22	311	15	Yes	1475.59	-10.3%				
Bridgend	139410	54	15.6	537	11	Yes	1346.83	-1.8%				
	517981	**75**	**17.6**	**471**	**13**		**1322.94**					
Rhondda Cynon Taf	234373	75	18.8	552	18	Yes	1397.91	+0.4%	Cwm Taf	South Wales	South Wales	Central South Wales
Merthyr Tydfil	58851	30	16.8	502	25	Yes	1427.60	-1.7%				
	293224	**75**	**18.4**	**541**	**19**		**1403.87**					
Vale of Glamorgan	126679	47	16.3	718	6	No	1206.33	-5.3%	Cardiff & Vale	South Wales	South Wales	Central South Wales
Cardiff	345442	75	18.9	2431	16	No	1119.67	+2.1%				
	472121	**75**	**18.1**	**1482**	**13**		**1142.92**					
Caerphilly	178782	73	19.6	624	15	Yes	1127.86	+10.1%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Blaenau Gwent	69812	42	16.8	629	23	Yes	1525.90	-18.6%				
Torfaen	91190	44	17.3	377	7	Yes	1246.41	-0.4%				
	339784	**75**	**17.1**	**531**	**19**		**1241.46**					
Newport	145785	50	17.7	742	15	No	1057.24	+6.5%	Aneurin Bevan	Gwent	South Wales	South-East Wales
Monmouthshire	91508	43	20.2	104	0	No	1236.47	-8.9%				
	237293	**75**	**19.3**	**220**	**10**		**1126.36**					

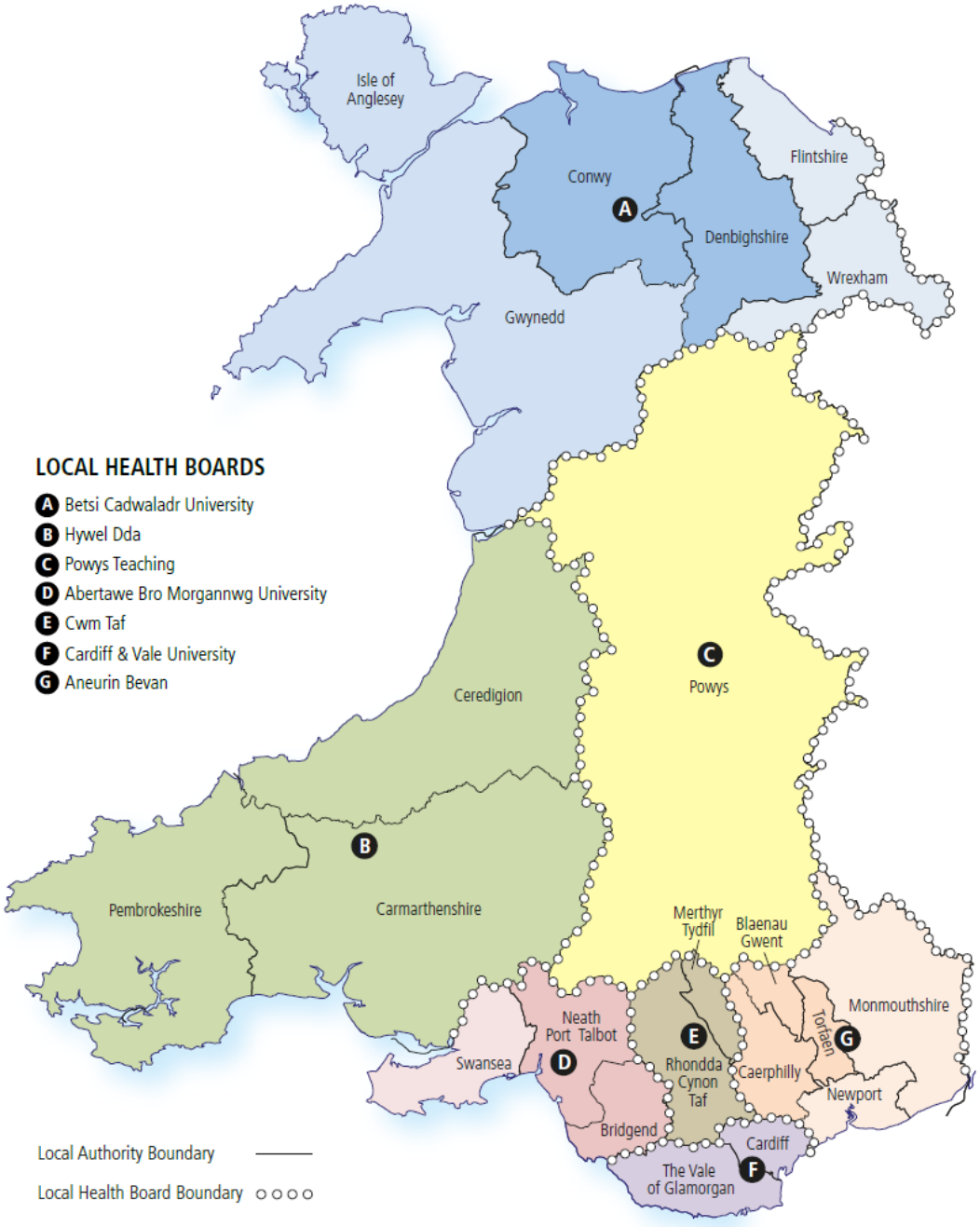
Map: Option 1


Isle of Anglesey
Conwy
A
Flintshire
Denbighshire
Wrexham
Gwynedd
LOCAL HEALTH BOARDS
A Betsi Cadwaladr University
B Hywel Dda
C Powys Teaching
D Abertawe Bro Morgannwg University
E Cwm Taf
F Cardiff & Vale University
G Aneurin Bevan
Ceredigion
C
Powys
B
Pembrokeshire
Carmarthenshire
Merthyr Tydfil
Blaenau Gwent
Monmouthshire
Neath Port Talbot
E
Torfaen
G
Swansea
D
Rhondda Cynon Taf
Caerphilly
Newport
Bridgend
Cardiff
The Vale of Glamorgan
F
Local Authority Boundary
Local Health Board Boundary

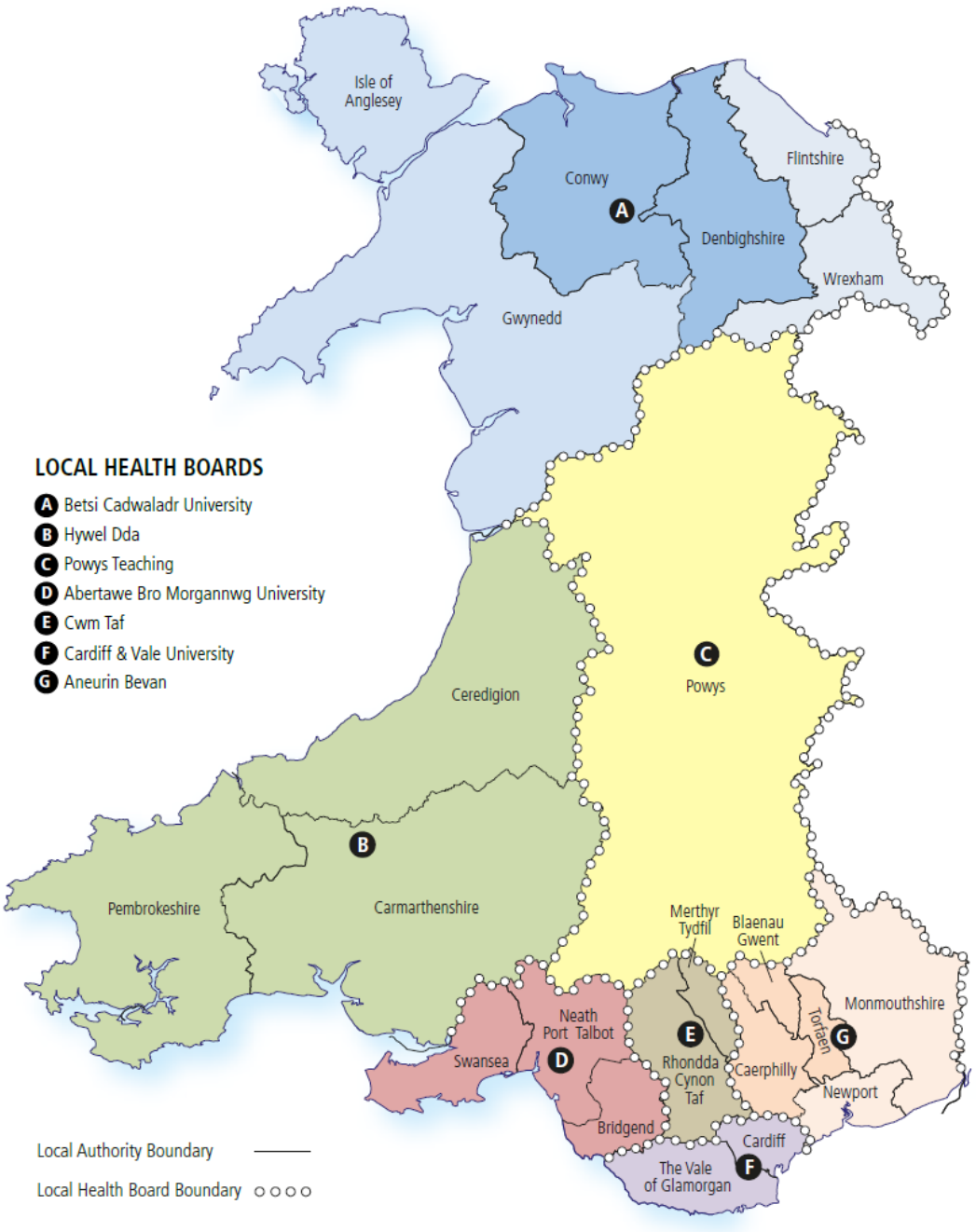
Map: Option 2a



Map: Option 2b



Map: Option 3


Isle of Anglesey
Conwy
A
Flintshire
Denbighshire
Wrexham
Gwynedd
LOCAL HEALTH BOARDS
A Betsi Cadwaladr University
B Hywel Dda
C Powys Teaching
D Abertawe Bro Morgannwg University
E Cwm Taf
F Cardiff & Vale University
G Aneurin Bevan
Ceredigion
C
Powys
B
Pembrokeshire
Carmarthenshire
Merthyr Tydfil
Blaenau Gwent
Monmouthshire
Torfaen
G
Neath Port Talbot
E
Swansea
D
Rhondda Cynon Taf
Caerphilly
Newport
Bridgend
Cardiff
The Vale of Glamorgan
F
Local Authority Boundary
Local Health Board Boundary

Annex I: Leadership, Culture and Values – Public Service Values

Examples of public service value sets

Cardiff and the Vale University Health Board

NHS bodies in Wales are often large and complex and therefore broad and sustainable change is challenging. Cardiff and the Vale UHB has 14500 staff and a revenue budget in excess of £1.1bn. The Health Board said to us that developing a set of values which speaks to those staff, are easily communicated, and which people can sign up to with enthusiasm, has been one of the essential building blocks for organisational transformation.

Following an extensive process of staff engagement, when the views of staff were heard and absorbed by the leadership team, a set of values was developed, which reflected those values that the staff indicated that they held strongly and believed were right and appropriate for the UHB.

These agreed values are:

- **Care** about the people we serve and the people we work with;
- Act with **kindness** – because it costs nothing, and makes all the difference in the world;
- Show **trust** – because our staff have been trained to do their jobs and we work at our best when we feel we are being trusted;
- Take and expect **personal responsibility** – because everyone has a job to do and we are all responsible for doing our jobs as well as we can;
- Be **respectful** – because this is what we want for ourselves;
- Always act with **integrity** – because we build trust and respect if we keep our promises, do what we say we will do, and work as colleagues together.

The time taken to develop these values, at a point where the UHB was already grappling with major financial and other challenges, was not set aside easily – many people were anxious that this was time that the organisation could not afford. The UHB have indicated, however, that the investment is now paying dividends, and demonstrates the connection between values and hard-edged performance metrics.

South Wales Fire and Rescue Service

The South Wales Fire and Rescue Service recognised the need to inspire the workforce to embrace change in order for its vision and mission to be achieved. Having reviewed the vision and mission to set the strategic direction of the Service, leaders wanted the core values of the Service to be defined by the workforce. The Service held 16 engagement workshops with participation from over 250 staff, ensuring representation from all levels and areas of the Service. The workshops resulted in eight values being chosen by the workforce that are used to define how the Service operates.

In order for these values to shape the Service's culture it was essential they were embedded. All staff were asked to commit to these values and display them in all aspects of their work. To assist leaders in communicating these values a toolbox was provided with a number of methods to engage with staff and communicate the values. In addition, a pin badge of the Service crest was provided to every member of staff to representing the significance of these values. Although it is not compulsory to wear this badge, the high numbers of staff that chose to do so gave an early indication of these values becoming embedded.

The Values:

- Professional
- Caring
- Respectful
- Dedicated
- Trustworthy
- Dynamic
- Disciplined
- Resilient

Police Force

The four Police Services in Wales have all gone through different local processes to develop values based on a high level 'Statement of Common Purpose and Values', which states:

> "The purpose of the Police Service is to uphold the law fairly and firmly; to prevent crime; to pursue and bring to justice those who break the law; to keep the queens peace; to protect, help and reassure the community; and be seen to do all this with integrity, common sense, and sound judgment.
>
> We must be compassionate, courteous and patient, acting without fear or favour or prejudice to the rights of citizens. We need to be professional, calm and restrained in

the face of violence and apply only that force which is necessary to accomplish our lawful duty.

We must strive to reduce the fears of the public and, so far as we can, reflect their priorities in the action we take. We must respond to well-founded criticism with willingness to change."

Each of the four forces in Wales interprets this within their local area in different ways.

Dyfed Powys Police

PROUD – We are proud to be part of team Dyfed Powys Serving local communities
OWNERSHIP – If an issue is brought to our attention, and it is our responsibility, we own it and deal with it
LISTENING – We listen to our local communities
IMPROVING – We strive to innovate and improve the service we provide
CARING – For everyone and showing we care in our actions

Gwent Police Service

Police values are the things that Gwent Police try to be. Gwent Police wants to be:

1 TRUSTED
This means that we will
- Make decisions that will work out best for the public
- Do what we say we will do, when we say we will do it
- Treat everyone fairly

2 FAIR
This means that we will
- Treat other people as we would expect to be treated
- Show care to people who ask for our help
- Be honest

3 PROFESSIONAL
- Understand how to do our job properly and do it as well as we can
- Try our best to get things rights, first time every time
- Take pride in what we do

4 RESPONSIVE
- Find out what people want form us
- Be interested in people and their problems
- Act quickly to put things right when we get them wrong

North Wales Police

- One team
- Doing the right thing
- Helping our communities

South Wales Police

Our values are about the way we work together to achieve our vision in shaping our organization as being essential to our success, which is why our staff have created our three organizational values

1. We want to be a professional organization with staff that are honest, take ownership and show respect

2. We want our staff to be proud of our organization, of the communities they serve and of themselves

3. We want our organization to be positive, to respond to people and their concerns, to be reliable and caring

Consistent public service values

I.1 There is clearly some commonality between the examples of values above. Values that encourage professionalism, pride, trust and kindness (for example) are consistent themes. We believe that it should be possible to develop a consistent set of public service values which will help instil the culture that the Welsh public service needs. The values should represent what success should look like and the behaviours which would underpin that. In essence, they would represent the opposite of any behaviours which restrict the ability of public services to deliver the highest level of service (for example risk aversion, parochialism, passivity and short-termism). They would be the glue that binds all parts of the public service together, giving a shared purpose and meaning.

I.2 The Seven Principles of Public Life, also known as the "Nolan principles" apply to all holders of public office (including civil servants, advisors, elected representatives, members and officers of National Health Service bodies, elected members and officials of local authorities). These could be seen to be a value set that cuts across public services. However, they are more concerned with defining personal conduct rather than organisation- and sector-wide values. We have also highlighted the importance of values being shared by all and being developed from the bottom up. The process of

defining the values is as important as the outcome: they need to be agreed and shared, and appropriate for the challenges faced by public services in Wales.

I.3 Because of the importance of the process of developing values, we do not propose a particular value set, but rather we recommend that one is developed through a project coordinated by the Leadership and Development centre (see above).

I.4 The set of public services values for Wales may contain many values that are 'generic', such as:

- Self reflection
- Responsiveness
- Accountability
- Equality
- Diversity
- Respect
- Dedication
- Action-orientation
- Enjoyment
- Innovativeness
- Stewardship
- Courage
- Challenge
- Citizen focus
- Tolerance
- Compassion
- Authenticity
- Integrity
- Optimism
- High standards

I.5 As stated in Chapter 5, the values might also encompass the following broad areas:

- The public service must be tireless in seeking to understand what their diverse stakeholders need and experience from their services, and work with communities as partners in improving provision;

- Wales's public services have often suffered from poverty of ambition. Leaders and organisations should always seek to learn from others - not just their Welsh counterparts, but in the rest of the UK and beyond;

- Learning and staff engagement should be at the core of public service organisations. Staff are valuable: their experience should be utilised and staff development should be of central importance;

- Leaders should be keen to over-ride their own and their organisation's interests where this is for the common good. This will help to reform performance management regimes that fail to prioritise collective gain. They should also seek to help other organisations in difficulty;

- Organisations should be open to accountability: they should engage in dialogue and discussion on past performance and future priorities;

- Organisations should stimulate innovation and learning across organisational boundaries. A focus on continuous improvement is as much a mind-set as a set of procedures; and

- Wales has a constitutional commitment to sustainability. Public service organisations must look beyond short-term considerations to ensure that the services they pass on to their successors are in a better condition to cope with future needs.

I.6 Failure to develop and implement a consistent set of public service values will, we believe, severely impact on the ability of public service organisations to adopt the culture that is required to address the severe challenges that we are facing now and in the near future.

Annex J: List of Recommendations

Introduction

There is a need for a step change in the performance and delivery of public services in Wales.

1. The Welsh Government must initiate, lead and manage a comprehensive programme of change to address the findings of our report. This must begin immediately and will take 3 to 5 years to complete; it must be carried out in close collaboration with organisations from across public services in Wales. (paragraph 1.26)

2. The Welsh Government must create and maintain a register of devolved public bodies in Wales. (paragraph 1.31)

Complexity

The public sector relationships in Wales are overly complex and this complexity does not serve Wales well. The structures, relationships and responsibilities of public sector bodies in Wales, and the partnerships between them, must be streamlined, accountability clarified and synergies maximised.

3. The Welsh Government's review of audit, inspection and regulation must identify ways to reduce complexity and deliver greater focus. (paragraph 2.27)

4. Scrutiny, audit, inspection and regulation must become complementary, clearly aligned and mutually reinforcing. (paragraph 2.28)

National policy mechanisms

5. Funding arrangements must be simpler and focused on achieving outcomes. By the end of the 2016-17 financial year, all specific grants which the Welsh Government pays to other public sector bodies must be either:
   - Included in unhypothecated funding; or
   - Subject to much clearer, outcome-focused conditions which ensure specific grants are spent in a way that contributes to national or local outcomes; or
   - Retained in their current form in genuinely exceptional cases only. (paragraph 2.33)

6. By the start of the 2015-16 financial year, the Welsh Government must set out how recipients of specific grants can earn greater autonomy in their use by demonstrating

their ability to deliver positive outcomes through strong performance. (paragraph 2.34)

7. The Welsh Government and the National Assembly for Wales must:
   - Consider the need to secure citizen-centred outcomes directly when legislating;
   - Review existing legislation to ensure it simplifies and streamlines public-sector decision-making rather than imposing undue constraints on it or creating complexity; and either repeal such provisions or clarify their meaning and interaction. (paragraph 2.37)

Boundaries should help not hinder

8. The boundary between the South Wales Fire and Rescue Service and the Mid and West Wales Fire and Rescue Service must be aligned with that of Abertawe Bro Morgannwg University Health Board. (paragraph 2.44)

9. The Welsh Government and delivery organisations must align the boundaries of consortia and partnerships with the boundaries of the main service-providers. (paragraph 2.47)

Refocusing organisations

10. Community Health Councils (CHCs) must ensure that the interests and concerns of patients are at the heart of governance, decision-making and service delivery in the NHS. This means that:
    - They must prioritise patient advice and advocacy, and reduce waiting times for this service;
    - They must scrutinise proposals for health service change constructively and objectively;
    - They must be more focussed in their scrutiny of the quality and safety of patient services by planning and co-ordinating their work with the Healthcare Inspectorate Wales, the Care and Social Services Inspectorate for Wales, the Public Services Ombudsman for Wales and local authorities; and
    - The Welsh Government must support these changes and amend the law relating to CHCs accordingly. (paragraph 2.59)

11. The Welsh Government should extend the remit of CHCs' advice and advocacy roles to provide seamless support to those who use both health and residential social care services. (paragraph 2.59)

12. The Welsh Government should continue to reinforce the independence of the CHCs by changing their reporting line so that it is outside the remit of the Directorate of Health and Social Services. (paragraph 2.59)

13. National Park Authorities (NPAs) must develop clear and consistent ways of collaborating with each other, with local authorities, with Visit Wales and with Natural Resources Wales, on the ground, to avoid duplications and maximise the use of resources and scarce expertise. (paragraph 2.60)

14. The Welsh Government and NPAs should secure national leadership and co-ordination and the most effective use of resources and expertise. The Government should consider doing so through a single authority, whilst retaining the distinctive identities of the three parks. (paragraph 2.60)

15. Local accountability and decision making must be reinforced; local authority-nominated NPA members must represent wards which fall wholly within the Park area or, if that is impossible, partly within the Park area. The Welsh Government should consider whether directly electing NPA members would strengthen such accountability. (paragraph 2.60)

16. Fire and Rescue Authorities (FRAs) must be reconstituted to provide effective scrutiny of fire services and their chief officers. As part of this:
    - The chief fire officer should be legally responsible for planning, managing and delivering fire and rescue services, in a similar way as a chief constable is responsible for policing;
    - FRAs should focus on holding the chief officer and the service to account. This should include both pre-decision scrutiny of strategic service and financial decisions, and continual holding to account for delivery and expenditure;
    - The Welsh Government, in consultation with the FRAs, the fire services, their staff and other interested parties, must develop detailed options for ensuring transparency and accountability in fire service funding; and
    - FRAs should also assume responsibility for scrutinising joint working between the fire and ambulance services. In the future, and subject to further devolution, a reconstituted body may be established with responsibility for providing scrutiny across all the emergency services. (paragraph 2. 61)

Maximising synergies

17. Urgent action is required to ensure that seamless, integrated and high-quality health and social services are provided across Wales:

- All local authorities and local health boards must immediately prepare clear and robust plans for integrating their services;
- These must include detailed proposals, milestones, targets and outcomes for improved and integrated delivery for all relevant services. The Welsh Government must monitor their implementation; and
- If these proposals are not implemented well or quickly enough, the Welsh Government must consider directing local authorities and local health boards to integrate, either using existing powers or those in the Social Services and Wellbeing Bill, if enacted. (paragraph 2.66)

18. Because of the unique characteristics of the county of Powys and the distinctive patterns of service delivery that this creates, Powys County Council and Powys Teaching Health Board should merge. This should be a two stage process.
    - The Health Board and the Council, with the support of the Welsh Government, should immediately begin action to integrate all their governance, management and delivery structures. They should define these arrangements by the end of 2014-15, and implement them immediately thereafter; and
    - The Welsh Government and the National Assembly for Wales, in consultation with the County Council and the Health Board, should define and legislate for a new single body to provide integrated health and local government services in the county. The new body must be established as a going concern, that is, with no historic health deficit, and with stable ongoing funding arrangements consistent with the approach to health and local government services in the rest of Wales. (paragraph 2.71)

19. The Welsh Government and the National Assembly for Wales should legislate to merge Cadw and the Royal Commission on the Ancient and Historic Monuments of Wales when the Heritage Bill is introduced in 2014. (paragraph 2.76)

20. The three Fire Services and the Welsh Ambulance Service NHS Trust (WAST) must capitalise on their common responsibilities and service delivery mechanisms. To do so:
    - Each of the Fire Services and WAST must produce a clear plan for strategic and operational co-ordination and alignment by the end of 2014, including proposals as regards sharing of premises and co-ordinating responses to incidents requiring both a fire and ambulance presence;
    - Once established, the reformed FRAs should scrutinise progress in developing and implementing these plans at least on an annual basis. (paragraph 2.83)

21. Local partnership structures must be radically streamlined and made more effective. To do so:

- All local service boards (LSBs) must ensure that they themselves fulfil and manifest the criteria we set out for effective partnership working;
- LSBs should maintain a single register of local partnerships;
- LSBs must overhaul local partnership structures to bring them into line with those criteria and with the clearer national and local priority outcomes which we also propose. This should begin immediately and conclude within one year of those priorities being articulated. Partnerships which compound complexity or do not add value should be disbanded; and
- Single Integrated Plans must also reflect these outcomes and identify the main cross-sectoral pressures and pinch points which need to be addressed; they must set out clearly the actions which need to be undertaken, by whom and by when. (paragraph 2.107)

22. Building on the achievements of NHS Wales Shared Service Partnership, a single shared services operation must be established to provide back office functions and common services across the public sector by the end of the 2016-2017 financial year. The Welsh Government must co-ordinate and oversee its development and establishment. (paragraph 2.116)

Scale and Capability

Urgent and radical action is needed to tackle the risks to governance and delivery, of low capacity, a lack of resilience and unsustainable costs and overheads that small organisations face. Community and neighbourhood engagement must be sustained and developed.

Local Government

23. The current 22 local authorities we have should merge into larger units. This should be done by merging existing local authorities, not redrawing boundaries from scratch. (paragraph 3.72)

24. One of our options for local government mergers must be adopted and implemented urgently, creating 12, 11 or 10 local authorities. (paragraph 3.106)

25. The Welsh Government, local authorities and key stakeholders must agree the programme arrangements for mergers by Easter 2014 at the latest. These should include clear and robust project and programme governance at national and local level with clear accountability to a national transition and implementation board. (paragraph 3.106)

26. The Welsh Government should support and incentivise early adopters who wish to begin a voluntary process of merger. The programme should nonetheless be completed in 2017-18. (paragraph 3.118)

Local and community representation

27. Community and neighbourhood representation must be maintained and enhanced. To achieve that:
    - Town and community council areas should also be merged or enlarged (paragraph 3.130); and
    - Local authorities and other partners should develop, adopt and implement a neighbourhood management or similar approach to engaging with citizens to identify, prioritise and address particular local issues, especially through co-production. (paragraph 3.134)

Existing initiatives

28. The service reconfigurations which the 2011 Simpson Review proposed have taken too long to implement. Those which are consistent with our proposed programme for change should be subsumed within that programme and its project management arrangements, to ensure delivery. This means that:
    - The Welsh Government and local government must immediately review the proposals for regional service delivery and identify any which are no longer necessary in light of the programme of change we recommend. Those that are still necessary should be implemented as soon as possible; and
    - In the interests of simplicity, coherence and efficiency, implementing all Simpson proposals should fall within the same governance arrangements as the main programme for local government restructuring. (paragraph 3.144)

29. We recommend that the Welsh Government aligns the boundaries of the four school improvement consortia with those of the new local authorities. (paragraph 3.148)

30. We recommend that the Welsh Government and the National Assembly for Wales approaches the Planning Bill and its implementation in line with our wider recommendations. (paragraph 3.151)

Governance, Scrutiny and Delivery

Governance of and between public sector organisations must be robust and unambiguous. Constructive scrutiny has a central role in holding organisations to account, improving services and engaging citizens. New models of delivery which focus on prevention, early

intervention and demand management through co-production and citizen engagement will be essential.

Scrutiny

31. The importance, status and value of scrutiny must be recognised, prioritised, continually sustained and reinforced. To support this:
    - All elected members, independent health board members, non executive directors, and officers must acknowledge the importance and value of scrutiny in improving services for people and organisations in Wales. The independence of scrutiny must be strongly asserted and protected, as must its essentially constructive and positive nature;
    - Executive members, non-executive directors, and officers, must similarly acknowledge the value of scrutiny in helping them to deliver services better. They must publicise and explain their decisions clearly, and invite scrutiny of them, including pre-decision scrutiny, willingly and openly. They must also acknowledge and respond to scrutiny reports promptly and in good faith; and
    - As part of raising the stature and profile of scrutiny, and engaging citizens, there must be increased visibility of the outputs and outcomes from local government scrutiny. (paragraph 4.47)

32. Organisations must regard scrutiny as an investment to deliver improvements and future savings. They must resource and support scrutiny accordingly:
    - Local authorities must make appropriate support available, at officer level, to develop co-ordinated scrutiny plans, identify gaps in expertise on the committees and provide proportionate and understandable information to committee members. Other organisations must similarly ensure that resources for scrutiny are sufficient for an effective scrutiny function;
    - Mandatory training must be provided to all members and chairs of local government scrutiny committees. Equivalent training must also be mandatory for community health council members engaged in scrutiny roles, fire and rescue authority members, others charged with formal scrutiny. Equivalent training should also be given to non executive or independent members to support their role in holding their executive to account; and
    - Organisations must adopt a “best practice” approach to scrutiny not a “least required”. The scrutiny outcomes and characteristics being prepared by the Centre for Public Scrutiny must be developed in discussion with other public sector organisations. Once agreed, they must be adopted by each organisation within 6 months. (paragraph 4.54)

33. Local government scrutiny committees and other formal scrutiny bodies must engage more effectively with the public and partners. That should include the co-option of individuals from advocacy and other groups onto scrutiny committees to increase such committees' capacity and capability to provide constructive and informed scrutiny. (paragraph 4.57)

Audit, inspection and regulation

34. Auditors, inspectors and regulators who report on individual organisations must do so directly to the appropriate scrutiny or audit committee. Where appropriate, they should assist the Committee in its consideration and holding the executive to account. (paragraph 4.62)

Governance and Accountability

35. Individuals in governance roles in every organisation must recognise their responsibility for ensuring that the standards of good governance are upheld. Every organisation must evaluate itself each year against established standards and best practice of good governance. This must be validated by their respective regulators. (paragraph 4.65)

36. This same approach must be applied to both local and national partnerships. The Welsh Government, in consultation with LSB members, must reform LSBs so that:
    - They have clear, ambitious and realistic purpose and vision;
    - By 2015, there is a national single, robust, governance model in place which is equitable and transparent and which ensures that decisions are based on identifiable responsibilities and actions and joint rights and obligations, creating clear accountability for delivery;
    - They are empowered to take significant and meaningful decisions which will contribute to attaining their purpose and vision;
    - They comprise senior representatives from each organisation who have relevant authority and influence. (paragraph 4.66)

37. Considering the importance of the role that the LSB has in analysing need and determining a plan of multi-agency delivery, it is imperative that the thinking behind single integrated plans is open to constructive challenge. LSBs must therefore be subject to effective scrutiny by a specific scrutiny programme which must consider whether the analysis of needs has been robust; whether the plan will effectively tackle those needs, is adequately resourced; and whether it is being effectively implemented. (paragraph 4.67)

National Partnerships

38. The Partnership Council for Wales (PCfW) and the Public Service Leadership Group (PSLG) must be reviewed and reformed to reflect the new model of public services that the Welsh Government determines following our report. This should be in place within 6 months of the Welsh Government's response to this report. (paragraph 4.73)

39. The PCfW and PSLG, with the Welsh Government, must own and support the programme of change required to meet our recommendations. (paragraph 4.73)

A Leader's Accountability in Local Government

40. Where, for whatever reason, it is not clear what a candidate for Leader stands for, he or she must publish a written manifesto and present it orally to the Council before the election of Leader takes place and subsequently present an annual statement of progress in delivering that manifesto. (paragraph 4.77)

Governance, Scrutiny and Accountability in the NHS

41. Local Health Boards (LHBs) should prepare for the introduction of the Designated Persons Order by:
    - Considering whether their own internal scrutiny arrangements are sufficiently robust;
    - Identifying whether the independent members and non-executive directors are sufficiently well informed and trained to hold the executive team to account and, if not, ensuring that they receive equivalent training to that we recommend elsewhere for those involved in scrutiny processes; and
    - Ensuring that the independent members of LHBs engage with the scrutiny chairs in each relevant local authority to support the planning of local government scrutiny. (paragraph 4.85)

42. The Welsh Government should, by December 2014, review the current number, representation and appointment process of independent members of LHBs so that:
    - The overall size of each LHB is reduced to improve strategic decision-making and effective scrutiny;
    - The appropriate Cabinet members from each of the new local authorities within the LHB area are appointed as independent members;
    - At least one local authority director of social services should also be appointed to support the integration of services with local authorities in the LHB area; and that

- It considers whether, and how, the election of community representation on local health board would improve transparency, public engagement and accountability in the health service. (paragraph 4.98)

Information Management and Digital Services

43. The Welsh Government must lead the development of a coherent, cross-public sector national strategy and programme to plan, prioritise, and deliver joined up, digitally transformed services which deliver better outcomes and more efficient services across the public sector for citizens in Wales. This work should begin immediately and
    - Should prioritise, at the outset, the changes that are necessary for the delivery of integrated services to the citizen in high priority services;
    - It should include the development, with relevant partners, of common standards policies, procedures and, where appropriate, working practices across public sector organisations so that information and associated technology can support the delivery of efficient and effective public service; and
    - Should be seen as an integral part of the overall programme of change recommended in our report and should therefore be overseen by the PCfW and associated national implementation and transition board. (paragraph 4.111)

Reshaping Public Services

44. The Welsh Government should work with others to establish a programme to review outcome by outcome how services could be best re-designed to achieve key national priority outcomes. These reviews should be led by those responsible for service delivery and draw on the experiences and expertise of organisations such as Nesta, the Public Policy Institute, the third sector, practitioners who have already implemented such changes, and of course those who use such services. (paragraph 4.130)

Leadership, Culture and Values

Achieving the right leadership, culture and values is paramount to improving performance and public service delivery for users. New types of leadership and management at all levels are required for the value led change needed to address the challenges public services face. Wales must recruit and retain the best and create a culture of 'one public service', focussed on achieving and continuously improving outcomes for citizens, and with a cadre of leaders capable of moving between organisations and sectors.

45. In order to meet the needs of the future shape of the public service there must be a new public service leadership and development centre for Wales, owned by, and accountable to, the whole of the public sector in Wales. (paragraph 5.76)

46. The Welsh Government must take the lead in creating this new leadership and development centre. The centre will replace the existing Academi Wales and its terms of reference will include:
    - The centre will be established outside of Welsh Government reporting to a Board with representation from across Welsh public services, together with leading figures in public sector leadership, business and academia. Given the importance of this body in creating and sustaining value-led change, the Welsh Government should consider whether the chair, and/or other members, should be formally appointed by Welsh Ministers;
    - Each public sector organisation in Wales should contribute to the cost of the centre through a contributory charging model in order to ensure commitment to customer requirements, embed ownership and provide accountability; and
    - The centre must bring together the best leadership programmes and also provide training to address the areas that we identify throughout our report, where there is a need for a significant improvement in skills and competencies across public services. This will include: the constant application of good governance; strengthening continuous improvement; improving scrutiny; and adopting new forms of delivery. (paragraph 5.77)

47. The new centre must be established by the end of 2014-15 to ensure that the required support for leadership and cultural change is in place to support the whole programme of change we recommend in our report. (paragraph 5.78)

48. The new public service leadership and development centre must develop a national framework of criteria and processes for the appointment of senior public sector officials, the adoption of which must be kept under regular review. (paragraph 5.57)

49. The Welsh Government should consider establishing an appointments commission for all senior public sector leadership posts. (paragraph 5.57)

50. Public sector leaders must develop and embrace a shared set of public service values (paragraph 5.94). In order to drive this change:
    - The new public service leadership and development centre must establish a time limited project to promote and embed a consistent set of public service values;
    - These values must be developed within two years through a collaborative and meaningful process involving staff from across public service organisations and at all levels;
    - Once agreed, the leaders of all public service organisations in Wales should adopt these as the core values upon which any local or sector-specific variations are added;

- The centre must use values-based development as a principle of all training and development opportunities, demonstrating the shared values in all aspects of learning. (paragraph 5.96)

Performance and Performance Management

There must be fewer and clearer national priorities and a clear line of sight between local, regional and national delivery. The systems for managing performance must drive the attainment of these priorities better.

Measuring performance

51. Drawing on the successful experience of the fire service, performance measures across the public sector must place a much greater emphasis on the outcome effectiveness of preventative services, and much less on the procedural efficiency of responsive services. (paragraph 6.33)

52. Drawing on Wales's success in increasing waste recycling, the approach of setting targets and supporting their attainment through changes to delivery practices and public awareness must be adopted for other appropriate services and outcomes. (paragraph 6.38)

53. Public service providers must engage with citizens, communities and user groups in establishing means of managing and monitoring the performance of tailored programmes of delivery. (paragraph 6.60)

54. By the end of 2014, the Welsh Government must bring greater clarity and distinction between different measures, indicators and targets in use. At the national level, performance measurement and management should focus on what needs to be done, not on how it is done. So in particular, these reforms must:
    - Draw out clearly the key outcomes and priorities the Welsh Government wishes to see delivered; and
    - Create more streamlined and consistent ways of measuring service performance below that, without prescribing the detailed measurement of operational and delivery matters. (paragraph 6.65)

Driving improvement

55. By the end of 2014-15, the Welsh Government must develop and conclude high-level agreements with each local service board setting out how the board and its members

will contribute to national strategic outcomes while also addressing local needs and priorities. (paragraph 6.80)

56. Benchmarking must be a key part of a new national performance framework. The Welsh Government must, by the end of 2014-15:
    - Identify where directly comparable performance data exist in other countries;
    - Establish reliable and accurate means of comparing data where there are detailed differences in definitions;
    - Publish clear and meaningful annual comparisons between the performance of public services in Wales and the 'best in class' elsewhere; and
    - Use those comparisons to identify where services are under-performing here, and/or where different policies and delivery mechanisms may have potential to improve performance. (paragraph 6.86)

57. As part of their performance management and improvement systems, all public-sector organisations must, by the end of 2014:
    - Clearly identify valid and relevant benchmarks for the performance of their services, within and beyond Wales;
    - Compare their performance regularly and reliably using those benchmarks;
    - Use the results to identify under-performance, scope to improve in both output and outcome terms, and the means of doing so; and
    - Report the results of this analysis clearly and publicly, including to those charged with formal scrutiny. (paragraph 6.123)

58. Performance will only improve if the ways in which services are managed and delivered reflects established good practice. To achieve that:
    - The Welsh Government, together with service-providers and audit, inspection and regulation bodies, must identify cases where adopting good practice would demonstrably and consistently lead to continuous improvement and better outcomes;
    - Service-providers must adopt those practices or justify clearly and objectively why they need not do so; and
    - If organisations do not respond at all, and especially if poor standards of service persist, the Welsh Government must use financial, intervention and legislative levers to compel compliance. (paragraph 6.98)

59. All organisations must manage performance consistently and effectively. To achieve this:
    - Each public organisation must adopt and implement a single, robust and effective means for measuring, managing, improving and reporting their own performance,

including appropriate ICT systems. Auditors and inspectors should routinely verify the existence and effectiveness of this; and

- Organisations that routinely collaborate at a local level, and the partnerships they establish, should adopt compatible performance management techniques. (paragraph 6.117)

Engagement with staff

60. All organisations must mainstream performance management at all levels, and engage effectively with staff in defining and using performance information. In particular:
    - All public service organisations must empower their staff to help define corporate and service objectives, and the means of measuring them; and use that to frame the objectives of teams and individuals; and
    - As part of their commitment to continuous improvement, all public service organisations must seek to foster a culture and values that support the intelligent and informed use of performance information by staff at all levels. (paragraph 6.121)

Performance reporting

61. By the end of 2014:
    - All LHBs and NHS Trusts must review and reform the performance information they collect and publish, to include the totality of health services rather than just acute care;
    - This must increase transparency and accountability to patients and the wider public; and ensure that those charged with scrutiny have comprehensive information allowing them to identify possible underlying problems of quality, safety or delivery; and
    - The Welsh Government must oversee these changes as part of the wider reform of national performance management. It must also publish a similar range and quality of information nationally, via mylocalhealthservice.wales.gov.uk and other suitable channels. (paragraph 6.132)

62. Organisations can only be held to account if they communicate their performance clearly, openly and honestly. To achieve that, by the end of 2014-15, the Welsh Government, in consultation with service providers and major regulators, must formulate principles and standards on performance reporting to apply across the public sector in Wales. (paragraph 6.136)