

Commission on Public Service Governance and Delivery

Summary 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.

We received, and considered, during the course of our work a significant amount of evidence, views, information and research. We sought to take all of this into account in our considerations. Our full report draws out the evidence and how it influenced our thinking. This summary report seeks to set out our conclusions and our recommendations but, in order to remain more accessible, does not cite the evidence and examples we received.

This report examines all aspects of public service provision in Wales under five themes – complexity; scale and capability; governance, scrutiny and delivery; leadership and culture; 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.

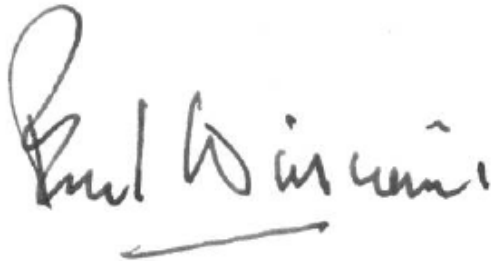
Public services simply cannot cope with these pressures in their present form and the way in which they operate. That is not anyone's fault. In particular, it does not reflect criticism on our public servants providing valuable public services on the front-line. As other governments around the world 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.

A handwritten signature in dark ink, reading "Paul Williams". The signature is written in a cursive style with a long horizontal stroke at the end.

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. Our full report sets out that remit in full 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 governance, 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, so far as possible, the considerations of the Silk Commission as well as the recent review of the ‘Future Delivery of Education Services in Wales’ by Robert Hill. 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>

- 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 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 needed 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.
- 1.6 This report focuses on the challenges that public services face and the current performance of the system of public services as a whole. Any criticism that we make should be taken in this context. In particular, we are clear that public services could not exist without the dedicated public service workforce in Wales. We were struck by the dedication and commitment of many elected members, officials, board members, professionals, and others across the public sector, the care for local people and the passion for helping people improve their lives. We need to build on these values and unlock the potential that exists.
- 1.7 To achieve that there needs to be a step change in public service governance and delivery. Minor and incremental changes will not address the considerable challenges ahead. The pressures faced by public services are unprecedented and are set to continue for the foreseeable future, an effective response to them 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 analysis included both quantitative and qualitative evidence. We considered in detail the existing data, research and analysis 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. We also considered the results of the National

Survey for Wales, which provided detailed evidence about public perceptions of public services.

1.9 Our evidence base consisted of:

- 133 responses from the open call for written evidence;
- 120 hours of oral evidence given at formal Commission meetings;
- 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
- 7 informal public drop-in meetings around Wales.

1.10 **We want to thank 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: structuring our thinking

1.11 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 broad remit, covering the whole of the public sector, led us to consider several dimensions or elements of how organisations in the public sector operate and the challenges that they face. From this we identified six interrelated themes around which we could structure our considerations: performance, 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 consistently. We found during our evidence-gathering that this structure proved a useful way to approach the issues and to form recommendations.

BOX 1: Key Definitions

Governance is

1. *the leadership, direction and control of organisations* As defined by the Independent Commission on Good Governance in Public Services
2. *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 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.” 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).

- 1.12 The **complexity** of the public service 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 its impact on delivery.
- 1.13 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 both now and in the face of the challenges ahead.
- 1.14 **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.
- 1.15 The importance of **leadership, culture and values** was equally apparent. 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 sustained 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.
- 1.16 In considering **performance**, we first wanted to understand both the current performance of public services and how performance is managed and improved. In particular, we wanted to understand how performance could best be improved without resorting to 'marketization' and competition; and how performance information 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.

- 1.17 Our work embraced the whole system of public services in Wales in the context of a 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 and whether and how it needs to change in the years ahead.
- 1.18 The 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, culture 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. We recognise that the road to improvement will take time and will need a combination of actions across each of these dimensions, which in turn will need to be regularly monitored and reviewed.
- 1.19 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. 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 of change, rather than as individual and separate objectives [*see Recommendation 1*].

Approach: the shape of public services in Wales

- 1.20 It is important to draw a distinction between the ‘public sector’ and ‘public services’. The public sector is 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, through social enterprise or through services that are contracted out.
- 1.21 There is no clear and agreed definition 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.
- 1.22 In compiling a list we used a range of information: for instance, bodies which 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 completely 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.

- 1.23 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 that are involved in the delivery of the major public services. Our list should not be taken as definitive for any other purpose.
- 1.24 We believe that the Welsh Government should create and maintain a register of devolved public bodies in Wales **[see Recommendation 2]**. This list should be used 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.
- 1.25 Our remit and approach was clear – this was a system-wide consideration, 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.

Context: the challenges facing public services in Wales

- 1.26 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.³ Fundamentally, there are a few critical, underlying and long-term problems which the public sector cannot avoid:

³ <http://www.walespublicservices2025.org.uk/papers/>

- a. **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.
- b. **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.
- c. **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.

1.27 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 scenarios. This 'funding gap' is illustrated more fully in the main report, where we show that the funding gap will continue to rise, despite a return to increases in the available funding by 2024-25.

1.28 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.

Outlook for public expenditure

1.29 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. The outlook for public expenditure in the United Kingdom is one of increasing scarcity. Following the 2007-8 global financial crisis, UK GDP is probably around 15% below what would have been expected, with obvious implications for tax revenue. Some of that gap may be closed as the UK economy recovers, although it is unlikely that we will come close to regaining the levels of tax revenue from before the recession in the short to medium term. Budgets in the public sector will probably continue to fall in the short and medium term.

1.30 Projections of the Welsh Government Budget 2020-21 represent a wide range of outcomes based on scenarios that depend on a range of plausible, assumptions. 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. It is inevitable, therefore, that public services will need to find significant cost savings in the coming years.

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

Demand pressure

- 1.32 Our full report describes how many commentators have highlighted that, although spending is going down, demand for public services is increasing and expectations of service quality are rising.
- 1.33 Alongside austerity, demographic change is the fundamental 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. In Wales the population aged over 75 is predicted to increase by 25% from its 2008 level by 2020. 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.
- 1.34 In areas like health, new services and new treatments also tend to add to cost pressures. Indeed, evidence suggests that, across developed countries, this is a more significant factor in the escalation of costs in health than is ageing.
- 1.35 The birth rate in Wales is also increasing, 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 number of primary-aged pupils between 2012 and 2025 will rise by around 46%, whereas some rural areas, or former industrial communities, may see a static trend or even a small decrease.
- 1.36 In the round, therefore, it seems inevitable that the pressures from demographic change will continue to increase.
- 1.37 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 with the different regions in England. Cities are increasingly important in regional economies and this disadvantages Wales in terms of

jobs, productivity and growth. Furthermore, 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.

- 1.38 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. Analysis by the Wales Public Services 2025 project shows that the net result of funding pressures and rising demand is that Welsh public services could face a revenue funding gap of between £2.6 billion and £4.6 billion by 2025 (in 2010-11 prices). If public services are to continue to meet the needs of the population, to improve their performance, and meet increasing demands for the delivery of services, then these challenges must be recognised and addressed.

Current public service performance

- 1.39 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’.
- 1.40 It must be noted that citizen perception is significantly more positive. In the most recent National Survey for Wales, 57%⁴ of respondents felt their local authority was providing good quality services, which compared favourably to a similar survey conducted in Scotland.⁵ Similarly, high levels of satisfaction are reported for Betsi Cadwaladr Health Board despite its relatively poor performance on several key measures and recent governance difficulties. But such measures may reflect the value that people place on public services rather than an objective measure of their performance.

Our report: a new model for public services in Wales

- 1.41 We have outlined the major challenges faced by public services in Wales. We 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.

⁴ The range of satisfaction varied from 42% to 66% between the different authorities.

⁵ The Scottish Household Survey 2011 <http://www.scotland.gov.uk/Topics/Statistics/16002/PublicationAnnual>

1.42 These challenges are not unique to Wales; they are common across the developed world. Other governments are also responding to them by:

- 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 particularly in health and social care.

1.43 Such changes involve much more than incremental or marginal improvement; they entail fundamentally rethinking the purpose of public services and designing a public sector that can fulfil that role. 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 rather than hinder it;
- **Responsive organisations:** in the absence of a market model, continuous improvement must be driven through effective performance management and improved regulation. Data must be transparent and meaningful for politicians, managers, professionals and the public to hold organisations to account. Organisations must respond positively and pro-actively 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. They should consistently identify and adopt best practice. Organisations should move away from risk-averse and blame-heavy cultures which seek to mitigate failure rather than sustain success, and 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 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 designed, 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 should set a clear strategy for Wales. It should be developed through consultation with stakeholders and should be valid for 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 autonomy of, those delivering services at the frontline is increased. Clear outcomes should be agreed and it is against these that providers' performance should be judged and held accountable.

1.44 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

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

Police and Crime Commissioner for Dyfed Powys

- 2.1 The Welsh public sector has grown and changed significantly over time. Major landmarks include successive changes to local government structures since the nineteenth century, the establishment of the NHS in the 1940s and its subsequent reform, the establishment of the Welsh Office and of all-Wales bodies from the 1960s onwards, and devolution and the decisions of devolved government since 1999.
- 2.2 Much of that change has occurred organically or for ad hoc reasons, and without any consistent sense of overall coherence. Public bodies in Wales are characterised by a wide diversity in membership arrangements – elected, appointed or nominated; in funding arrangements – by various grant mechanisms, local taxation or charging; and in their accountability and reporting relationships.
- 2.3 We have described and mapped these arrangements. They show that the Welsh public sector is highly complex in several different ways: the relationships between organisations, the boundaries between organisations, and the allocation of functions and responsibilities between organisations. Informal and voluntary collaboration between them is widespread and, while well-intentioned, has tended to create yet further complexity.
- 2.4 This situation is not unique to Wales. 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 and contexts change.
- 2.5 Equally, 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. Democratic accountability and propriety demands that public bodies are rigorously and clearly answerable for their decisions and their performance. All of that demands working arrangements which connect organisations together and hold them consistently to account.

The public sector is too complex, which seriously hampers effective delivery and engagement

- 2.6 However, we are very clear that the structures and working arrangements in the Welsh public sector are far more complex than they need to be. This is a fundamental problem which lies at the heart of our diagnosis. It has three very serious broad consequences:
- In the short term, it means that organisations and their leaders are severely constrained. They have to spend far too much time negotiating and managing complexity in terms of reporting relationships, conflicting demands, boundary issues, functional overlaps and extensive partnership arrangements. This is both inefficient and ineffective. It wastes resources and leaves not nearly enough capacity to manage delivery and improve services effectively;
 - In the longer term, it is also very likely to inhibit the radical strategic thinking and creativity which will be essential to overcome financial and demographic challenges. In particular, it risks severely limiting the scope to carry out the fundamental redefinition of the purpose of public services, and the moves towards co-production and demand management, which we set out in our introduction;
 - Complexity also causes serious problems for those who rely on public services. Citizens can find that their rights and entitlements are often unclear; requiring them to understand and navigate complex overlapping responsibilities to access the services they need. This makes it much harder for citizens and communities to hold public bodies effectively to account; and
 - Businesses and the third sector can equally find working with the public sector to be frustrating and inefficient. We received evidence from both the business and third sectors that doing business with the public sector in Wales is too complicated and that decisions take too long to be made.
- 2.7 Overall, the complexity of the public sector means that organisations within it spend far too much time having to manage relationships with each other rather than on improving the services they provide and securing better outcomes. This undermines the very purpose of public service, and demands urgent and radical action. We must create significantly more space for organisations to address short and long-term challenges; and we must provide citizens with greater clarity about the roles and responsibilities of organisations in meeting their needs.
- 2.8 We have identified several broad sources of complexity, and solutions to them, as follows.

Relationships between public organisations must be streamlined significantly

- 2.9 Welsh public bodies, particularly those which directly deliver services, are generally subject to a wide range of formal reporting and accountability relationships. These typically include arrangements for:
- Policy direction, guidance or oversight;
 - Electing, nominating or appointing members;
 - Formal and political scrutiny;
 - Audit, inspection and regulation; and
 - Investigating maladministration and bad practice.
- 2.10 All of these mechanisms are necessary in principle. However, the ways that they work in practice create an excessively complex and incoherent network of relationships and accountabilities. Often, each type of relationship exists in multiple forms: for instance, some organisations are subject to different funding sources, different forms of policy direction from the Welsh Government, or different methods of audit and inspection. We received a great deal of strong and consistent evidence from across and beyond the public sector that understanding, managing and responding to those relationships was a huge and unnecessary burden which diverted scarce time and resources from managing and improving services.
- 2.11 We agree. There are too many overlapping mechanisms which often operate in isolation from each other. They pull organisations in different directions at the same time, yielding competing or conflicting demands that need to be addressed and relationships which need to be managed. This is inefficient and unsustainable.
- 2.12 Formal relationships such as these need to become more coherent and complementary. This will both increase their effectiveness and reduce the burdens they create. We believe there is significant scope for change in several areas, including:
- The use of grant funding and the terms on which it is paid; **[see Recommendation 5]**
 - Legislation and its effects on public-sector decision-making; **[see Recommendation 7]**
 - The ways in which the system of audit, inspection and regulation operates **[see Recommendation 3]** and how it interacts with other accountability mechanisms; and **[see Recommendation 4]**
 - The remits and responsibilities of particular bodies with accountability or scrutiny roles, which we consider further below.

- 2.13 Additionally, our recommendations in Chapter 3 will significantly reduce the number and complexity of formal relationships; and our recommendations in Chapter 5 will support the ability and willingness of public bodies to innovate and to manage risk positively.

Boundaries between public organisations must be better aligned

- 2.14 Complexity can also arise if the boundaries of the areas which organisations serve are not coterminous, that is, if they do not coincide. 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.
- 2.15 We believe this is a less serious problem. The boundaries of most major service-providers are already reasonably well-aligned, and our recommendations in Chapter 3 will improve this further. There is only a single instance of one service-provider's boundary crossing that of another: the boundary between the Mid and West Wales and South Wales Fire Services bisects the area covered by the Abertawe Bro Morgannwg Local Health Board and South Wales Police. Nonetheless, this anomaly needs to be resolved *[see Recommendation 8]*.
- 2.16 Boundaries between consortia and partnerships are, though, less coterminous. This is sometimes unavoidable in front-line partnerships which are driven by purely operational considerations. But in other cases there are some anomalies that are hard to justify and which can lead to fragmented planning and delivery of services. For instance, the boundaries of strategic transport consortia are not aligned with those of health boards, meaning that access to health services risks being uncoordinated. While detailed arrangements in particular sectors or services are beyond our remit, it is again important to ensure that the boundaries of consortia and partnerships are reviewed and aligned with the boundaries of the main service-providers *[see Recommendation 9]*.

Overlaps between public organisations' functions and services must be clarified or removed

- 2.17 The distribution of responsibility for functions and services between organisations is also complex. It requires different patterns of joint working between different organisations for different ends. While some degree of joint working is unavoidable and essential to pursue strategic outcomes effectively, duplicating similar functions between organisations and confusing responsibility for delivery is not. We again believe that the position is more complex and less clear than it could and should be, and have identified numerous examples where this causes real and sustained

problems for organisations and those they serve. There is clear recent evidence that this has led to poor-quality services and sub-optimal outcomes where organisations have struggled to co-ordinate their activities effectively. We also heard repeated evidence from citizens that the current pattern of responsibility for services is highly confusing. Despite numerous efforts to address this, many still find themselves having to understand and navigate between the roles of different organisations to secure the services they need. We identified several broad ways of addressing these problems.

Refocusing organisations

- 2.18 We identified some public organisations which appear largely to duplicate the work of others, or which have roles which are unclear or too broad. Such situations cannot be justified in the interests of simplicity or efficiency, although we intend no criticism of the organisations concerned or their commitment. We believe these organisations should refocus on functions and areas where they add the most value, leaving other functions to those better placed to discharge them. We have identified three such cases, as follows.
- 2.19 Firstly, we were impressed with the performance of Wales's three fire services. But we are concerned that there is not enough scrutiny of their work. The three fire and rescue authorities (FRAs) do not and cannot scrutinise the services and chief officers effectively as they are ultimately and legally responsible for all decisions about the fire services. It would be clearly preferable for the FRAs to focus on scrutiny of the fire services, and for chief officers become directly responsible for service planning and delivery **[see Recommendation 16]**. We outline a new and simpler governance model in the annex to Chapter 2 of our main report.
- 2.20 This would also allow FRAs to scrutinise joint working between the fire service and the ambulance service, and thus support the greater synergy between these organisations which we discuss below **[see Recommendation 16]**.
- 2.21 Second, 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. They also have a vital role in scrutinising proposals for changing the configuration of health services. 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 time

for them reduced **[see Recommendation 10]**.

- 2.22 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 advocacy work, which should support those who received both health and social care services **[see Recommendation 11]**.
- 2.23 Third, we received strong and unsolicited representations for and against retaining National Park Authorities (NPAs) as separate entities, or transferring their functions to local authorities. On the one hand, they carry out only a subset of the functions of local authorities, which arguably creates confusing and inefficient duplications and overlaps, especially in the field of planning, where expertise is scarce. On the other, they act as specialised and valued custodians of important national landscape assets; and have demonstrably succeeded in promoting sustainable access and generating very high levels of tourist revenue. We agree that other less specialised organisations (such as local authorities) would struggle to match this record. We therefore do not propose any change to the status and remit of NPAs. We believe, however, that current arrangements for nominating NPA members can mean that residents of the parks are not properly represented; and that those members are not properly accountable. This should be corrected **[see Recommendation 15]**.
- 2.24 We recognised, too, that there were clear opportunities to remove duplication and increase synergies. The three national parks have clear and distinct identities however we believe that the National Park Authorities (NPAs) could collaborate more closely with each other on operational and back-office matters, to share expertise, reduce costs and increase efficiency. There are obvious opportunities, too, to work more closely with other agencies such as Natural Resource Wales (NRW), Visit Wales and local authorities on the ground. **[see Recommendation 13]**.
- 2.25 NPAs' distinctive role relies expressly on their custody of nationally and internationally-valued landscape assets. While local responsibility and accountability for matters such as planning decisions is essential and needs reform, there is also a case for creating national-level synergy and leadership over issues relating to conservation of and access to the Parks. This could mean merging the three NPAs while retaining the separate identities of each of the Parks and local accountability for decisions about them **[see Recommendation 14]**.

Transferring functions between organisations

- 2.26 Another potential way of addressing complexity would be to transfer responsibility for certain functions and services from one part of the public sector to another. This could allow greater coherence with other services that the new host organisation

provided. In particular, we received strong representations for and against transferring responsibility for adult social services from local government to the NHS. This would arguably improve the coordination of health and social care for adult clients, and in particular older people, who frequently need both. Integrating those services in particular is a critical issue given long-term demographic and financial pressures.

2.27 We do not support this nor other proposals to transfer responsibility for functions between public-sector organisations, for several reasons:

- Any such transfers would be costly and disruptive, both for the staff concerned and the services they provide. We only favour formal and structural change where there is compelling evidence that benefits would outweigh costs. There is no such evidence here;
- There is no guarantee that it would improve co-ordination. There are already some examples of different services provided by the same organisation being badly co-ordinated. That risk would be even greater for services that the organisation had no experience of providing. For instance, 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; and
- Strengthening some connections in this way inevitably breaks others. For instance, transferring adult social care to the NHS would weaken the link with other local authority services, such as housing and transport, on which older people also rely.

2.28 But that does not mean that arrangements for health and adult social care can remain as they are. Despite long-standing commitments to change, the two services are far from effectively integrated in many parts of Wales. That is not only highly inefficient; it means often frail and vulnerable people receive poor and fragmented care. The need to address this will grow even stronger as the population grows older, and the number of people who need both health and social care increases. Indeed this is among the greatest challenges that the public sector will face in the coming years.

2.29 We do not believe that formally transferring responsibility for adult social services to the NHS would do anything other than distract attention from addressing this challenge. The tools and mechanisms needed to achieve close and effective partnerships between the health and local government sectors already exist, but, disappointingly, have not been consistently and effectively used across Wales. This represents at the least, a missed opportunity to improve services for and ultimately the lives of individuals.

2.30 We recognise the steps that the Welsh Government and service-providers are already taking, 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. Urgent and sustained action is needed by all local authorities and local health boards now; the Welsh Government must monitor and, where necessary, enforce this **[see Recommendation 17]**.

Maximising synergies

2.31 We consider that a different approach is needed 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 from 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.

2.32 Making that happen will require co-ordinated local and national action. The health board and the council can and should act now to begin integrating their governance, management and delivery structures. The Welsh Government should support that, and should, in due course, bring forward legislation to establish the new body on a robust and sustainable basis **[see Recommendation 18]**.

2.33 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. But there are other broader synergies between different organisations' responsibilities; they too

need to be maximised in the interests of reducing complexity.

- 2.34 In some cases, those synergies are so close that organisations can be merged. The creation of Natural Resources Wales (NRW) out of the Countryside Council for Wales, the Environment Agency and the Forestry Commission is a recent and commendably innovative example, as is the Welsh Government's more recent announcement to absorb the work of Internal Drainage Boards within NRW.
- 2.35 We received little evidence from or about cultural bodies or services such as museums and libraries. However, we note the Welsh Government's outline proposals to create a single heritage body out of Cadw and the Royal Commission on Ancient and Historical Monuments of Wales (RCAHMW). These bodies also have clearly complementary roles, and we support the implementation of the Welsh Government's outline proposals when the Heritage Bill is introduced in 2014 [*see Recommendation 19*].
- 2.36 We believe there is also scope for greater co-operation between fire and ambulance services. While there are some local examples of good joint working, they are sporadic and piecemeal. We note the findings of a recent review of the ambulance service which ruled out full-scale merger with the fire service. But both services still have a good deal in common in terms of their basic purposes and aims, and maximising the benefits of that calls for a much more systematic and widespread approach. Both services need to set out and deliver plans for strategic and operational co-ordination, and should be scrutinised in that by the reformed fire and rescue authorities which we propose. Subject to the findings of the second phase of the Silk Commission and their implementation, the Welsh Government should consider extending this approach across all three emergency services [*see Recommendation 20*].
- 2.37 We have not examined any other potential in this area, apart from the field of audit, inspection and regulation, where a separate review is under way by the Welsh Government. Maximising synergies or gaining the combined effects of organisations working together overall however necessitates collaboration and partnership working between organisations – an issue we have examined in depth.

Collaboration and partnership working needs to be more streamlined, more strategic and more effective

- 2.38 In many ways, collaboration between public-sector organisations has been the defining theme of Welsh public-sector management since devolution. In part this reflects a principled choice in favour of co-operation rather than competition in service provision. But it has also sought to overcome some of the problems we

identify in this report. It has sought to increase effective capacity and tackle some of the problems of small scale we identify in Chapter 3; it has also been used as a way of tackling cross-cutting issues and thus addressing the problems of functional complexity we described above. Partnership working at the local level has now largely been consolidated under the remit of local service boards (LSBs). That is welcome in principle: we see LSBs as overarching partnerships which are potentially well-placed to co-ordinate local collaboration. The Single Integrated Plans (SIPs) they produce also have great potential to develop, drive and implement effective partnership working at the local level.

- 2.39 However, there is clear evidence that progress so far has been no more than limited and sporadic. For instance, over two years have elapsed since the Simpson Report recommended major reconfiguration of some local government services at a regional and national level; yet during that time the Welsh Government and local authorities have only managed to draw up agreed business cases for change. While there are some notable exceptions, the balance of evidence shows clearly that collaboration has had little impact on service standards or on attaining outcomes. The emphasis has been more on joint planning and information-sharing, which is useful in itself but does not realise the full potential of partnership working.
- 2.40 We also heard repeated evidence that the ways in which partnership structures had developed and grown was burdensome and over-elaborate. All-Wales and regional bodies found it hard to support the high number of local partnerships, while local agencies found problems co-ordinating partnership working and integrating it into their existing governance mechanisms. There was a general sense that supporting collaboration consumed more resource than the results could justify. As with the problems of relationship complexity, that cannot be justified. Partnerships can be powerful mechanisms if applied where they will add value, and if their membership, remit and governance are properly thought through; too often that has not been the case.
- 2.41 The current systems and structures need a radical overhaul. In our main report we set out criteria which we believe all partnerships should meet – if not, they should be disbanded. Local Service Boards (LSBs) have an important role to play here, both in overhauling their own practices and in reforming other local partnership structures. LSBs and other partnerships must in particular be clear about the outcomes they seek to achieve, and how they will do so. The SIPs which all LSBs now prepare must reflect that clarity and allocate responsibility for delivery [**see Recommendation 21**].

Progress in collaborating over shared services must be much faster and broader

- 2.42 The problems we have outlined may have led to a visible reluctance to embark on new collaborative ventures: several major proposals have foundered recently. While we sympathise with a wish to avoid creating yet more complexity, this risks missing genuine opportunities for maximising synergies between organisations to realise efficiencies and create more seamless services for citizens.
- 2.43 The sustained and severe financial challenges, and the pressure they create on front-line services, mean that we are particularly concerned that potential to collaborate in the provision of support or ‘back-office’ services, outside of the NHS, remains largely unrealised. Such services include human resource management, payroll services, transaction processing services, estate and fleet management, internal audit, procurement and legal services; all of them are relatively standardised and do not need to reflect local needs or priorities. Yet in local government in particular, progress in providing them on a shared basis has been very slow and patchy.
- 2.44 By contrast, the NHS Shared Services Partnership – which reported £100 million in savings in the last financial year - and the recently-established National Procurement Service show that there are significant savings to be made here, and no reason in principle why public bodies should provide such services separately. The Welsh Government should lead work to establish a single shared services organisation to provide back office functions and common services across the public sector by the end of the 2016-17 financial year **[see Recommendation 22]**.

The Welsh Government must drive and sustain collaboration more selectively and effectively

- 2.45 We also heard repeated and consistent evidence that the Welsh Government had not always supported and driven collaboration effectively. On some occasions it appeared to view collaboration as an end rather than a means; it had urged collaboration indiscriminately and without regard to the costs and benefits. On others, it appeared to be unduly prescriptive about forms and processes of collaboration rather than its outcomes. Finally, we heard evidence that the Welsh Government had inadvertently hampered some local collaborative projects by the fragmentation of its own structures and approval processes. The Welsh Government needs to take a strong role in defining strategic outcomes and in supporting collaboration in pursuit of those; but it should not treat collaboration as an end in itself, nor should it intervene routinely in the detailed design and operation of partnerships.
- 2.46 There will in our view always be a need for public bodies to work together, regardless of structural or other change. The issues and challenges they seek to address are not

and never will be neatly self-contained within organisational or geographical boundaries. That demands an approach to collaboration which is strategic, selective, evidence-based and effectively implemented and monitored.

2.47 However, we do not believe that has happened to date. Collaboration should be an essential tool for overcoming the problems of complexity and the difficulty of pursuing cross-cutting objectives. Instead, the way in which it has grown and evolved has compounded those problems by creating a further, less formal set of relationships to be managed and negotiated. It thus risks increasing rather than reducing the unsustainable and unjustifiable constraints within which public service organisations operate, and which must be relaxed if they are to confront current and future challenges successfully.

Conclusions

2.48 In this chapter, we have found that:

- Relationships between public bodies are much more complex than they need to be;
- Some boundaries are needlessly misaligned;
- The functions and responsibilities of organisations sometimes overlap and conflict with each other;
- Collaboration and partnership working can have the potential to overcome some of these problems, but the way in which it has been implemented has often compounded them instead; and
- Governance of partnerships needs to be clearer and stronger, with a sharper set of priorities, plans and outcomes.

2.49 This has created a situation in which public bodies spend far too much of their time managing the system and the relationships that exist within it, rather than improving services. As businesses and third sector partners noted, this can lead to decisions taking too long. Equally, citizens often have to negotiate much of this complexity themselves, meaning that they risk receiving incoherent and patchy services. The public sector cannot afford or justify this level of complexity; and citizens, communities and businesses expect and deserve better.

2.50 We have proposed a number of changes in this chapter which we believe will streamline how the public sector works both for service-providers and citizens. They will help to create space for service-providers to respond flexibly to citizen and community needs rather than managing complex relationships within the public sector system. However, some organisations would still struggle to utilise that space. Small public bodies with wide-ranging responsibilities necessarily lack the capacity and capability of larger ones. We consider this issue of scale in the next chapter.

Chapter 3: Scale and Capability

Small local authorities can't provide specialist services and users fall through the cracks
Public comment, National Eisteddfod

- 3.1 Although we could find no single definition or definitive list of them, there are some 935 public-sector organisations in Wales. That suggests one for every 3,200 inhabitants. They range from a few very large organisations like Betsi Cadwaladr University Health Board (BCUHB) or Cardiff Council, which spend hundreds of millions of pounds a year – to many very small organisations which have few functions and relatively tiny budgets. That is bound to raise questions about whether some of these organisations are too small to function effectively for the citizens of Wales, especially where those organisations have broad roles and purposes.
- 3.2 That is especially true in the light of current and future challenges which the public sector faces: in particular the conflicting pressures of increased demand for public services and declining resources to pay for them. Those challenges will require all public sector organisations to:
- Understand the needs and priorities of the citizens and communities they serve;
 - Confront and make very difficult strategic choices about, the nature and range of services and how they are provided in light of those needs, priorities and the capacities of their communities;
 - Continue to provide those services to a high standard, whether alone or in collaboration with others;
 - Manage their ongoing operations as efficiently and economically as possible; and
 - Account openly and publicly for their decisions and performance, and respond effectively and resiliently to the results of that.
- 3.3 Meeting all of those requirements will demand exceptional levels of political, managerial and professional leadership across our public sector. In Chapter 2, we described how all public-sector organisations are seriously hampered in their ability to do so. The complexity of the system severely constrains organisations' scope to act and means that they spend far too much effort on managing relationships with others rather than on leading delivery. It also causes needless confusion for citizens which diminishes accountability and responsiveness. We recommended several actions which would alleviate these problems and create more space in which organisations can operate more purposely, flexibly and resiliently.

- 3.4 This chapter deals with a further dimension of those problems. In our view, some organisations are further hampered in their ability to meet current and future challenges because of their small scale in relation to their responsibilities. We believe that would still be the case even once the overall system is simplified and streamlined. There are clear risks which will severely limit the ability of smaller organisations to take advantage of the greater strategic space this simplification will create.
- 3.5 Much of this chapter is concerned with local government, and with the problems of small scale in that sector. That is not because we wish to single local government out for criticism, or because we believe smaller local authorities have been negligent in addressing the problems they face. It is because the problems of small scale depend heavily on the breadth of responsibilities that an organisation has – and none has a broader range than a local authority. We are clear, though, that this is a problem for the whole public sector: all organisations suffer because some of them are too small to discharge all of their functions adequately. For instance, problems of scale exacerbate those of complexity, collaboration and competition for leadership that we discuss elsewhere. Problems of scale must be addressed accordingly: through systematic and consensual reform, not by singling out some organisations as ‘too small’ and the rest as ‘big enough’.
- 3.6 We are well aware that our findings in this area will probably attract a lot of attention. **But we cannot stress too strongly that they are only part of a much bigger picture.** Equally, **our recommendations form part of a much broader programme of reform, all of which needs to happen coherently and holistically.** Change in this area alone – as with any other area of our report – will very probably not work if pursued in isolation; it would just create needless cost and disruption without any sustainable benefit. We urge the Welsh Government, the National Assembly for Wales and the rest of the public sector to consider and constructively respond to our findings accordingly.

Small organisations face significantly greater risks and costs

- 3.7 Many of those who gave evidence to us – including service-providers, regulators and academics – asserted that there was no direct relationship between the size of an organisation and its measured performance. Certainly, it is easy to find examples of small Welsh public sector organisations which perform well and large ones which do not. There are so many other influences on overall performance that it is hard to isolate any separate effects of scale.
- 3.8 However, we are very clear that small organisations, and in particular small local authorities, face much greater degrees of risk to their governance and service delivery, which will eventually affect their performance. The starkest indication of this is in the

pattern of formal support and intervention which the Welsh Government and regulators have had to undertake recently. This has been heavily concentrated in smaller local authorities. Two of the smallest have undergone some of the longest and deepest interventions ever seen in the UK. And 5 of the smallest 6 local authorities are currently undergoing intervention because their education services have been deemed unacceptable: in her evidence to us, H.M. Chief Inspector of Education and Training in Wales was quite clear that that was no coincidence.

3.9 We have identified several areas which explain why this is so, and where smaller local authorities unavoidably face greater risks:

- There are clear problems of **capacity**. Smaller organisations necessarily lack the resources and demand to maintain the same range of leadership, managerial and professional expertise as larger ones. Very often the same individuals have to cover multiple roles – for instance we heard of two small local authorities which were unable to employ full-time specialists in improving children’s literacy. In some cases, the numbers of people providing a service are so low as to threaten its long-term sustainability in any form. This both diminishes the range and quality of services and severely limits the organisation’s scope to respond to new or changing pressures and demands;
- There are issues around **leadership and expertise**. We do not doubt that some small organisations are exceptionally well-led. But there is evidence that they may find it harder to attract and retain high-calibre leaders, managers and professionals, probably because they offer a less attractive career path. One small local authority has had seven directors of education in the past seven years. Even with good leadership, having fewer senior people in an organisation magnifies the risks around any of them leaving; we doubt whether some smaller organisations would have the capacity to manage that resiliently and effectively;
- There is evidence of excessive **costs and overheads** in smaller organisations. We examined data for corporate management overheads, and for unit costs and service volumes in two relatively standardised services: waste management and highways. We found clear and significant evidence of economies of scale. For instance, smaller local authorities typically pay up to £50 more per citizen in corporate and democratic costs than larger ones. In each case, if the unit costs of all local authorities were reduced to the levels of the largest, the annual savings would run into tens of millions of pounds;
- Detailed projections show that some of the **demographic changes** we described in Chapter 1 will affect smaller areas disproportionately. Some of them, like Anglesey and Monmouthshire, are likely to see their populations age more than the rest of Wales and to shrink, while other larger areas like Cardiff and Carmarthenshire grow. This is bound to increase demand for some major services even more while also further diminishing the resources available to pay for them; and

- Finally, we believe that smaller organisations necessarily tend to be **less flexible, innovative and resilient**. Their limited capacity and higher costs mean that the pressure is simply to maintain day-to-day service provision with little scope remaining to confront wider challenges. That is not a criticism: it is simply that they face more demands and pressures than they can reasonably meet.

3.10 Overall, this combination of risks means that many smaller organisations are struggling. This is only going to get worse. 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 and indeed to help redefine the purpose and scope of those services. We believe that many of our smaller organisations will be unable to do this: the pressure on them to complete the ‘day job’ is just too great already. Radical reform is needed to alleviate that risk, and it needs to begin immediately.

International comparisons reveal little

3.11 Some of the evidence we received argued that other countries have much smaller local authorities than Wales without encountering significant problems, and that there was thus no case for change. We disagree, for several reasons. Firstly, the pattern of responsibility for public services differs from one country to the next. For example, in many countries, local authorities do not deliver education or social services. Second, the values, processes and political contexts which underpin those structures differ from those here – for instance, the tradition of permanent voluntary association between local authorities in France and Germany, or of co-operation between tiers of government in Finland and Denmark. Third, several other countries have embarked on or completed major reform programmes to address many of the problems of scale we have identified in similar ways to those we propose.

Significant structural change is urgently needed in local government to mitigate the risks of small scale

3.12 Our analysis leads us to conclude that there is a compelling need for change in local government structures and responsibilities to address and minimise these problems of scale. While there are several broad approaches to such problems, there are two which we do not recommend.

- Firstly, major functions such as education and social services could be removed from local authority control and delivered at a greater scale, effectively recreating the ‘two-tier’ system which existed before 1996. We do not support this. It would increase the cost and complexity of the public sector, spread political and

administrative talent even more thinly, and raise very serious doubts about the financial viability of local authorities as they stand; and

- Second, there could be greater, more extensive and more permanent collaboration between existing local authorities. We do not support this either. As chapter 2 describes, collaboration has added significantly to complexity and weakened overall governance for little obvious gain. It cannot be forced without undermining the necessary commitment to it. And even if possible, we believe it would take far too long.

3.13 That leads us to conclude that the 22 local authorities must be merged into larger units instead [*see Recommendation 23*]. This should be underpinned by several key principles:

- **Reform should increase effective scale, capacity and resilience across the system.** The critical factor here is not some arbitrary number of local authorities or minimum size. We do not believe such numbers exist;
- **Instead, the key issue will be to mitigate the risks of small scale while not compromising local democratic responsiveness.** Serving an area which is too large and diverse would create too many different or conflicting demands and priorities for service delivery, and would hamper fair and effective democratic representation of the whole community. We do not agree with those who argued that this prevents any structural change. But we do believe it is a very strong limiting factor on the extent of such change. That has led us to discount the possibility of reform to create as few as 7 or 8 local authorities closely following NHS boundaries;
- **Instead, new areas should be as coherent as possible in terms of their needs and characteristics,** and certainly not so large as to inhibit effective governance and democratic representation. We have taken several key characteristics of local areas, such as population sparsity, deprivation, the use of the Welsh language, council tax levels and economic growth patterns into account in formulating our proposals;
- **Reform should reduce complexity and enhance coterminosity.** It should take place within higher-level boundaries such as those of local health boards and police forces. **Alignment with the NHS is particularly critical given the long-term need to integrate health and social services more effectively:** the provision of seamless care for older people is amongst the greatest challenges facing the public sector;
- **Reform should also be consistent with eligibility for EU convergence funding.** Differences in prosperity mean that some current local authority areas are eligible for such funding while others are not. It would be unwise to combine the two; and
- **Reform should also proceed by merging existing local authorities rather than redrawing boundaries completely from scratch [*see Recommendation 23*].** Redrawing municipal boundaries would be a hugely time-consuming and costly

exercise which could only delay and distract from the pressing need to address problems of scale and capability. Mergers will be much quicker and easier to prepare for and implement; they will also allow merging organisations to begin to integrate their structures and operations in advance of formal change.

3.14 We have developed several options for such changes, which we set out in detail in our full report. In essence, though, we have applied our criteria and concluded that, as a minimum, the following local authorities should merge:

- Isle of Anglesey and Gwynedd;
- Conwy and Denbighshire;
- Flintshire and Wrexham;
- Ceredigion and Pembrokeshire;
- Neath Port Talbot and Bridgend;
- Rhondda Cynon Taf and Merthyr Tydfil;
- Cardiff and the Vale of Glamorgan;
- Blaenau Gwent, Caerphilly and Torfaen; and
- Monmouthshire and Newport.

With Carmarthenshire, Powys and Swansea unchanged, this would yield 12 authorities. We believe this represents the minimum viable level of change.

3.15 Going beyond that minimum option, and using these mergers as building blocks, there are other viable possibilities resulting in 11 or 10 local authorities, as follows:

- Merging Swansea with Neath Port Talbot and Bridgend to form a single local authority, giving 11 local authorities in total. That single local authority would serve a relatively large population, although there are more populous local authorities in both England and Scotland. This arrangement would support current growth of a vibrant economy along the M4 corridor. 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;
- Merging Carmarthenshire with Ceredigion and Pembrokeshire to form a single local authority, again yielding 11 local authorities in total. While this area has some things in common in economic, demographic and linguistic terms, it is also geographically very large and diverse. Delivering services across such an area and generating fair and effective democratic governance would be challenging. It might require some form of lower-tier structure to ensure effective local delivery and responsiveness; and
- Both of the above changes would give 10 local authorities combining the strengths and weaknesses of both.

- 3.16 In developing our 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.
- 3.17 The diagram overleaf summarises the structure of each of our options and how they align to existing service-providers' areas. We believe any of these options is viable, and one of them must be adopted and implemented **[see Recommendation 24]**. The decision on which one must be for the Welsh Government and the National Assembly for Wales.

Summary of options

All organisations of exactly the same colour are or would be exactly coterminous.

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	Bri. / NPT / Swa. merged	11																						
2b	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					

Change must be implemented quickly and decisively, with full commitment and strong leadership at all levels

- 3.18 We have reflected very carefully on our findings and conclusions on this issue. We are well aware that what we propose will incur costs, and will be disruptive and controversial – but we are convinced that doing nothing would be worse. Current structures are simply not sustainable, and the choice is between allowing them to decline further or of reforming them now. We also know that structural change could easily dominate and distract from the wider programme of reform that we propose. That cannot be allowed to happen. While issues of scale are important, they are only part of a much wider set of systemic weaknesses and challenges which must be tackled as a whole. Focusing only or mainly on what we say in this chapter would miss this vital point.
- 3.19 Any programme of reform will need careful planning and implementation at local and national level. The Welsh Government and local authorities need to devise and establish such arrangements as quickly as possible **[see Recommendation 25]**. Those arrangements should include clear and robust project and programme governance at national and local level culminating in accountability to a national transition and implementation board. We do not underestimate the scale of that challenge, nor do we underestimate the critical consequences of not confronting it.
- 3.20 Implementation must include full engagement with the public service workforce. We recognise the concerns and the uncertainty which the prospect of structural change will create. However, 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. One of the main risks around scale concerns a lack of capacity and expertise. So it would be self-defeating if structural change led to further major reductions in such capacity and expertise.
- 3.21 But the potential for disruption and distraction means this must be done as quickly as possible. In particular, there is clear scope for local authorities to begin to align their structures and operations in advance of formal merger. That takes courage and commitment, and we believe that the Welsh Government should support and incentivise such ‘early adopters’ to prepare for merger. Nonetheless, we believe the whole programme can and should be complete by 2017-18. **[see Recommendation 26]**.

Well-managed mergers will quickly pay for themselves and generate significant long-term savings

- 3.22 We have also included in our main report a broad estimate of the costs of change and the time taken to recoup those from the lower costs and greater efficiencies that would result. This is based on a helpful analysis which the Welsh Local Government Association (WLGA) commissioned from Deloitte and submitted as part of their evidence to us. In turn, that drew heavily on the demonstrated costs and benefits of a programme of local authority mergers in Cornwall in 2009-10. We do not agree with some of the WLGA's assumptions and conclusions, and a full and detailed costing is beyond our remit. But we are able to forecast that the costs of merger could be recouped from the recurring savings in between 18 and 30 months, if the programme is effectively managed and led; and that annual savings beyond that would be very significant. Meeting the costs of change is a matter for the Welsh Government to determine, but we believe that any funding model should reflect the fact that reform will benefit the whole public sector, not just smaller local authorities.
- 3.23 It is important to set the costs of change alongside the severe pressures on local authority budgets, which are likely to endure for at least the next decade. Local authorities are already having to meet those pressures by making severe cuts, including to front-line services and probably entailing major redundancies. Within the current configuration they will be unable to balance that with the very significant and recurring savings which we believe will arise from mergers. If merger is implemented properly and with pace, it can protect front-line services and jobs sustainably and effectively. That alone makes a compelling case for the changes we propose.

Community and neighbourhood-level representation should be strengthened as part of these reforms

- 3.24 We have sought to define coherent local authority areas which will sustain local democracy and representativeness. But we also believe there is scope for strengthening representation at the very local level, to counterbalance the creation of larger local authorities and to enhance the involvement of citizens and communities in the co-production of the development and delivery of services. There are two strands to this:
- Firstly, town and community councils have a potentially vital role in representing community interests and providing purely local services. At present, though, they are too numerous to do so effectively: very many of them suffer from extreme forms of the scale problems we described earlier. In particular, many suffer from very limited capacity, and the level of democratic engagement with them is very low. We therefore believe that they too should be reorganised. **[see Recommendation 27]**. We can have no view on the detailed boundaries here,

although any redrawing of ward boundaries as part of local government merger would directly inform such changes; and

- We also support programmes of formal and structured neighbourhood management, such as the highly effective system in Cardiff. This both brings together major service-providers to identify and meet neighbourhood needs and engages with local people in doing so. This model has particular potential in our larger urban areas where town and community councils are largely absent [*see Recommendation 27*].

Current initiatives should proceed in ways which reflect our merger proposals

3.25 We are aware of several major policy initiatives which are already under way to address scale issues and problems. These include:

- Implementing the findings of the 2011 Simpson Review, which proposed aggregating some local authority services at a regional or national level – although we are disappointed with the slow progress of this;
- The creation of city regions to co-ordinate planning, economic development and infrastructure around Cardiff and Swansea, as proposed in the Haywood Report of 2012 and by the appointment of City Region Boards in both areas as confirmed by the Minister for Business, Enterprise, Technology and Science in November 2013;
- The creation of regional consortia to deliver school improvement services, following the Hill Review of 2012-13; and
- The Welsh Government's proposed Planning Bill, which would transfer responsibility for major planning decisions to a national level.

3.26 We believe all of these are sound and reasonable responses to some of the same issues of scale as we have discussed, and that each of them can and should complement our recommendations. However, their detail may need to be reconsidered in light of our proposals; for instance the boundaries of these arrangements should be consistent with those which arise from one of our merger proposals [*see Recommendation 29*].

3.27 In particular, proposals in the Simpson review should be re-evaluated in light of ours. In some cases, merger may remove the need for such change altogether; in others, aggregation may usefully proceed as part of preparations for full merger. In the interests of simplicity, coherence and efficiency, all such proposals should fall within the same governance arrangements as the main programme for change. [*see Recommendation 28*].

Conclusions

3.28 In this chapter we have concluded that:

- Small-scale organisations face severe and increasingly unmanageable risks, especially in the local government sector. They also incur proportionately much higher costs;
- Such risks need to be mitigated decisively and urgently. A programme of mergers of existing local authorities is the best means of addressing this;
- This programme will need to be robustly governed and led, but has the potential both to alleviate risks and to generate major savings in the longer term;
- Structures for very local representation should be strengthened as part of this change; and
- Other measures designed to address scale problems should proceed, but should do so in ways which are consistent with our recommendations in this and other chapters.

3.29 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 Chapter 2, 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.

Chapter 4: Governance, Scrutiny and Delivery

*[We] shouldn't just be pulling people out of the river.
We should be going upstream to find out who's pushing them in.*
Archbishop Desmond Tutu

Introduction

- 4.1 Our remit placed governance and delivery at the heart of our work: “to consider how public services are governed: that is, held accountable for their performance and delivered most effectively to the public.” That link between governance, accountability and performance is 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.
- 4.2 In a public service system which does not rely on competitive choice, the voice of the citizen must be harnessed as a force for improvement, either directly or through effective representation. This makes scrutiny and public engagement critically important. Public sector organisations cannot tackle the challenges and issues of society alone, whether this relates to recycling and waste management or public health or social care. Early intervention and prevention are key to re-shaping services but this approach needs a new relationship with citizens to create and use social capital.
- 4.3 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.
- 4.4 Overall, 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 impeded. It also hampered strategic decision making and delayed implementation. 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-taking 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.

High standards of governance must be continuously embedded

- 4.5 Failures of governance have been all too common in recent years in the public, private and third sectors. 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, demonstrate the often critical impact of such failures. Wales is by no means immune. There have been well-publicised failures of governance in Betsi Cadwaladr UHB, and in Anglesey and Blaenau Gwent Councils, where the Welsh Government had to intervene. The senior officers' pay case at Caerphilly County Borough Council, the AWEMA and the Caldicot and Wentlooge Internal Drainage Board cases also demonstrate that poor governance can persist, sometimes for an extended period.
- 4.6 These examples of failures of governance do not have a common or obvious cause. 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. Such failures are not limited to Wales or the public sector. But they have become too frequent to be written off as exceptional or one-off events caused by specific 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. The first responsibility for ensuring that high standards of governance are achieved, maintained and embedded lies with those in governance roles, and they must take effective action to do so **[see Recommendation 35]**.

- 4.7 Partnerships between organisations will always be necessary to plan and deliver effectively for the population of an area and the same high standards of governance must clearly apply to such partnerships. In our view the current arrangements are not sufficiently robust. Local Service Boards (LSBs) are the single high level strategic partnerships for each area. They must assess the needs of their area, agree a single integrated plan to meet those needs and deliver that plan. The arrangements for their governance, membership and scrutiny must all work to ensure that the analysis of needs is robust; assess whether the plan will effectively tackle those needs, if it is adequately resourced; and whether it is being effectively implemented [*see Recommendations 36 and 37*].

National partnerships must be made more effective

- 4.8 Existing political and executive forums such as the Partnership Council for Wales and the Public Service Leadership Group provide national-level governance of programmes and relationships. They bring together organisations that have different accountabilities, including separate electoral mandates, and different models of governance. Such forums should be key to developing and maintaining effective relationships between national and local organisations, and ensuring clarity of role and purpose between sectors. They should enable member organisations to agree upon strategic priorities and agree and authorise public sector wide projects or cross service working. Clarity of governance and accountability for such forums is at least as important as for any other partnership. We believe some changes are needed to make that so [*see Recommendation 39*].
- 4.9 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. [*see Recommendation 40*].

Public engagement is an essential element of good governance

- 4.10 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. Despite those imperatives, we heard that dialogue between service providers and communities is generally inconsistent and often poor. While all public service organisations engage with the public in some way, that does not typically lead to changes in policies or delivery mechanisms as often or as clearly as it should.

- 4.11 The 2013 National Survey for Wales shows that people in Wales are reasonably content with the major public services. But it also shows that citizen engagement influences perceptions of service quality: 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; whereas those who feel uninformed or excluded from decision making are less likely to be satisfied. Re-shaping public services in ways we describe elsewhere in our report also depends critically upon effective engagement with the users of those services and with communities more generally.
- 4.12 Evidence from private and third sector organisations expressed a similar frustration. The third sector can provide access to users' experience of services 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. They consistently felt excluded from scrutiny processes, despite having potential to add value to it.
- 4.13 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.⁶

Scrutiny must be given stature, status and support

- 4.14 We identified scrutiny as an important lever to secure improvement but one which needed development. One significant factor limiting the effectiveness of scrutiny 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.
- 4.15 The changing nature of scrutiny at UK and Wales levels is relevant 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 increased independence of members, the reduced control of the political parties and strengthened sense that a career path in effective scrutiny was available and valued for both members and officers. In both Parliament and the National Assembly for Wales, there has been a commitment to constructive challenge rather than partisan fault-finding and to cross party consensus on reports.
- 4.16 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. There must be

⁶ Comments from public meetings in Cardiff, Wrexham and Haverfordwest

similarly a reciprocal culture that seeks out, welcomes and responds to scrutiny (including mechanisms such as audit, inspection and regulation). However we saw that organisations rarely view scrutiny this way; instead they often saw it as no more than a burdensome process which had to be tolerated but could be ignored. There must therefore be an equivalent commitment on the part of those in executive roles, and of officers, that scrutiny is to be welcomed. This is particularly vital if the Welsh Government's proposal to extend 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. We concluded therefore that the importance, status and value of scrutiny must be prioritised, sustained and reinforced [*see Recommendation 31*].

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

- 4.17 If scrutiny is to be valued it must be effective. There was widespread acknowledgement that the power of scrutiny was increased if it was: independent and constructive rather than oppositional; well resourced, highly skilled and well informed; forward looking, pre-decision and policy focussed, and planned.
- 4.18 To be effective in holding to account and constructively identifying opportunities for improvement, scrutiny must be well resourced to support robust and challenging questioning. In local authorities, sufficient support must be 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.
- 4.19 Those undertaking scrutiny roles must be properly trained and supported to be able to offer constructive challenge. Under-resourcing scrutiny mechanisms has 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. 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.
- 4.20 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 proposals in Chapter 5 include a more consistent approach to training across the public services in Wales. Training for those undertaking or supporting scrutiny would clearly benefit from 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.

- 4.21 The importance of scrutiny led us to go further and to follow the 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. In the same way, what constitutes good scrutiny and what outcomes good scrutiny should deliver must be clearly understood and consistently applied. Equivalent training should also be given to non executive or independent members to support their role in holding their executive to account *[see Recommendation 32]*.
- 4.22 Effective, credible scrutiny needs more than skilled elected members provided with training no matter how knowledgeable they may become about their service area. For scrutiny 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.
- 4.23 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. This will also improve the engagement of the public with the delivery of services in their area, and mean that scrutiny and public engagement are better aligned *[see Recommendation 33]*.
- 4.24 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 often not clear 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 organisations lack focus and that data reporting often fails to engage with users' interests and perspectives. 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.

- 4.25 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

- 4.26 While scrutiny structures and practices vary across the public sector, almost all organisations are subject to some form of external audit, inspection or regulation by bodies like the Wales Audit Office, the Healthcare Inspectorate, the Care and Social Services Inspectorate and Estyn. Their functions too are forms of scrutiny in the broader sense, in that they entail independent examination of an organisation's processes, practices and service standards; and, where appropriate, challenge to them. Their value is also similar: they present opportunities to learn where governance or delivery could and should improve.
- 4.27 We found similar problems of organisations tolerating rather than welcoming scrutiny in this form. Often they asserted that audit, inspection and regulation were merely burdensome or ill-informed; as a result, findings were downplayed, challenged or simply ignored. That means opportunities to improve are likewise overlooked. There very probably is a case for making the system of audit, inspection and regulation simpler, as we explained in Chapter 2. But in principle it is not acceptable to resist or circumvent major drivers for improvement in this way.

4.28 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 how audit, inspection and regulation work and how their findings are received. 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 that they may be defensive when faced with criticism of their own records. 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. It also 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. 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 ***[see Recommendation 34]***.

4.29 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 requirements⁷ to formulate and publish annual improvement priorities, and to report on progress in delivering them.

4.30 In some parts of Wales, though and at some times, this process is less clear: when members have no manifesto or equivalent; or move between parties or to or from an independent status in response to local or national issues. Political parties themselves can split into different groups or factions. When any of these things happen

⁷ In Part 1 of the Local Government (Wales) Measure 2009

individuals' and parties' commitments become less clear, and accountability becomes clouded. A lack of specific commitments means it can be hard to hold leaders and executives to account once in office. One council, the Isle of Anglesey, has taken steps to address this problem. It amended its constitution 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; s/he must also present an annual statement of progress in delivering that manifesto **[see Recommendation 40]**.

Internal and external challenge for Health Boards and Trusts needs to be strengthened

- 4.31 The National Health Service is the largest part of the public sector in Wales and we received many comments on how local health boards operate, in particular their accountability and responsiveness. While many of our overall recommendations are just as relevant to the health service in Wales, there were also some specific issues that we wished to address. Many felt that the new health boards were too remote, difficult to engage and to hold to account, particularly in respect of service reconfiguration. That suggested there was a particular need for health boards and trusts to further develop their public engagement and communications strategies. In particular they need to improve how they explain the need for continuous change to keep pace with the impact of new technologies and new treatments to deliver better outcomes and patient safety.
- 4.32 While we heard concerns that some of the health boards may be too large, we also heard that the size of the health boards has supported their resilience and that smaller organisations might have fared worse in such circumstances. Reducing complexity, as we recommend in Chapter 2, will assist boards to develop the strategic capacity to discharge their responsibility for the health and wellbeing of their whole population including through effective joint working with other public bodies in their areas. 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.
- 4.33 Recent failures in governance and the variation in performance we set out in Chapter 6 suggest that there is a need for greater internal and external challenge to the work of the local health boards. We cover in paragraph 6:41 the need for effective use of good data to inform such challenge. The extension of local authorities' scrutiny powers to cover NHS bodies 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 independent (i.e. non executive) members) to actively engage with this process as it develops to ensure that it supports continuous improvement in health services. Regarding this as simply an additional task would be to miss the opportunity it offers. As part of this LHBs should consider if their own internal arrangements for challenge are sufficiently robust including the need for support and training for independent and non executive board members. We noted

that the report by the Public Accounts Committee (PAC) of the National Assembly for Wales (published 10 December 2013) similarly concluded that there was a need to strengthen the ability of independent members of local health boards to hold their executive to account as part of their role. We endorse the PAC's recommendation that the training available to members should be reviewed and that attendance at appropriate training should be a condition of board membership [*see Recommendation 41*].

- 4.34 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. Proposals for direct elections to health boards 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; but the evidence we received did not allow us to conclude that this would be achieved by electing all the independent members of boards. Board members are directly and corporately responsible for making decisions, which means they cannot also scrutinise them. The concept of a *National* Health Service also argues against local variations in service based on democratic mandates.
- 4.35 However, there is a clear need to examine how LHBs are constituted. The current system for appointing members to the health board has tended to create large boards which may constrain both decision making and challenge. In focussing on securing specific professional skills and knowledge such as ICT, legal, and estate management, independent board members may not sufficiently reflect the need for local accountability and understanding. Nor does it necessarily generate a strong relationship with local government, or an understanding of the strategic whole-population responsibilities of a health board.
- 4.36 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 evidence we heard suggest that there is a need for stronger local accountability and knowledge. We therefore believe that the number, representation and appointment process for independent members of health boards must be reviewed and revised [*see Recommendation 42*].

A modern and efficient public sector cannot operate without effective data and well functioning digital and ICT services

- 4.37 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 for 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 challenges of people, processes and technology.

4.38 Information management and the technology that underpins it, is fundamental to the way in which we now live our lives. We have experienced a digital revolution in our private lives and most people 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. However, 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 the either expectations of the public or the needs of organisations to deliver the services they rely on. There is good evidence that 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.

4.39 Looking at the picture for Wales public services as a whole, some key foundations and strategies have been developed. These include the all Wales Accord for Sharing Personal Information (WASPI) and the leadership PSLG has given to the cultural and behavioural aspects of information sharing. 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 during our evidence gathering of some good individual examples of innovative and effective uses of information and technology. 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 the people they serve. The Wales Audit Office in its December 2012 report into the use of technology to support improvements and efficiency in Local Government⁸ noted progress in the development of local authorities' own policies, procedures and standards but 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".

- 4.40 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 **[see Recommendation 43]**.

Public Services must be re-shaped

- 4.41 The demand and financial pressures on public services, and the changing nature of public expectations of them, are being met around the world in a variety of ways from incremental reduction of expenditure (so-called "salami slicing") through conventional efficiencies in procurement and assets, re-organisation and reconfiguration, rationing and redefining, and radical reshaping. Overall, the evidence we heard about the scale of challenges public services face convinces us that these challenges cannot be met simply by making greater marginal efficiencies. 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 strongly suggests that these are not enough.
- 4.42 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.

⁸ WAO 2012 *The use of technology to support improvement and efficiency in local government*

From public sector organisations' perspective, this will mean that existing demand is better managed and future demand more effectively reduced or even prevented. From the citizen's perspective this should mean services which are re-designed to meet their real needs, not simply reduced or narrowed.

- 4.43 There is an emerging body of work which describes a range of approaches to redesign services - to get them right first time, reduce waste and create new capacity. Those approaches set out the need to identify the real demand arising from people's needs and circumstances rather than one-size-fits-all offers from a paternalistic public sector. For instance, improving people's long-term health by promoting healthy lifestyles and tackling the causes of poor health is far more effective in the long term – and far more efficient in the short term – than treating them in hospital when they become seriously ill. Equally, it is much better for all concerned to prevent crime and to make communities sustainably safer than to detect and prosecute crimes which have been committed. Similar examples exist across almost all major public services.
- 4.44 This approach starts with what people receiving services would find most helpful to secure the real outcomes they want. It means re-shaping services based on better community or service user insight. It embraces co-production of service design, commissioning and delivery and a strong emphasis on shifting to prevention and making the most of community capacity and assets. These are all, to varying degrees, underpinned by the principle of establishing a different relationship between public sector organisations and the people and organisations they serve.
- 4.45 We were told of many good examples of how these new approaches have been used within Wales and more widely, and describe one of these in detail in Chapter 6. But these examples were limited to relatively few service areas and did not appear to be widespread in Wales. The adoption of locally derived initiatives has been piecemeal, and 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. It was not clear whether cross-sector working was strong or consistent enough to reduce demand or to respond effectively to real demand. There is insufficient evidence yet of how to re-shape services to secure the best outcomes for people i.e. evidence of 'what works' to improve services and contain cost. We concluded that there was strong evidence that a widespread and radical shift in the design of public services in Wales is needed.
- 4.46 Other recommendations in our report will provide the building blocks for a new approach to delivery. They will help create the capacity for change by strengthening the capacity of local authorities and reducing complexity for them and others they

work with. They will strengthen governance systems (which must support innovation and measured risk taking) and increase the ability of scrutiny to act as a lever for improvement. They will ensure that the public sector can recruit and develop the strategic and adaptive leaders that these new approaches to delivery will demand. We 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. 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. Their work should help underpin the recommendations we make and support the delivery of sustainable public services.

- 4.47 However, these building blocks will not 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 creating only pockets of excellence without ensuring a consistent and effective set of practices across Wales. Local innovation to meet local needs is important; but re-inventing substantially similar approaches to similar problems is needlessly wasteful. 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. Such leadership should drive the review of how services can be shaped to meet the national outcomes Wales needs. It should be led by those responsible for delivering services but involve practitioners, expert bodies, third sector organisations and users in its work **[see Recommendation 44]**.

Conclusions

- 4.48 In this chapter we have concluded that:
- Governance within and between organisations is often not robust enough to meet the challenges they face;
 - Processes for holding organisations to account, such as scrutiny, audit and public engagement, are widespread. But they are often ineffective in driving change, and generally not aligned well with each other;
 - Weak governance and scrutiny mean that action to improve delivery methods is sporadic and piecemeal; and
 - This is particularly visible in the slow uptake of data and digital ICT services to support improvement, and in the refocusing of public services towards prevention and co-production.

4.49 Some of these are problems of formal processes, structures and practices, and our recommendations seek to tackle those directly. Underlying many of them, though, are more subtle issues of culture and leadership. Ineffective governance, resistance to scrutiny and audit, and slow adoption of new delivery methods ultimately reflect a lack of commitment to change and a want of leadership to drive it. It is to those issues that we turn next.

Chapter 5: Leadership, Culture and Values

The job of leaders is to create culture

H.M. Chief Inspector of Education and Training in Wales

There needs to be a step change in leadership, culture and values in Welsh public services if outcomes for citizens are to be improved

- 5.1 The economic and demand challenges that public service leaders (be they political, executive or professional) are facing and will continue to face are unprecedented, as we describe in Chapter 1. These challenges require a new approach, not only to how organisations deliver services at the front line, but also how they operate at all levels: their values, their staff and their leaders.
- 5.2 The complexity of the challenges facing public services requires leaders who can deal with uncertainty and ambiguity and who are able to tackle issues where there is often no simple management solution. Leaders at all levels will need to be open to different ways of working, including through collaboration or coproduction, and to focusing on population outcomes and prevention to meet demand. They will need to be flexible and creative to mobilise their organisations and their resources to make those changes real.
- 5.3 During the course of our work we sought to identify common characteristics of ‘High Performing Organisations’ that applied to public service organisations. 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. The evidence we received suggests that 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, and there is a recognisable link between how organisations behave and how they perform.
- 5.4 Change and improvement can only be delivered through collective responsibility, from political, executive and professional leaders and from staff at all levels of organisations. We make a number of recommendations that are focussed on:
 - 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.

5.5 These recommendations aim to support leadership, culture and values in driving and sustaining high standards of governance, delivery and performance. This should enhance not just organisational excellence but also systems leadership, and develop an integrated public service for Wales.

New types of leaders and managers will be required to address the challenges that are faced by public services

5.6 Both effective and progressive leadership and technical excellence in management are essential for the provision of high achieving public services. Management can be seen as ‘doing things right’ whilst leadership is about ‘doing the right thing’.

5.7 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 we describe in Chapter 6, evidence to the Commission has consistently reinforced the very disappointing message that ‘good practice is a bad traveller’. The underlying issue here is no doubt one of culture and leadership; insular or defensive cultures are self-reinforcing: they close off organisations to new ideas. This can and should be overcome by effective and innovative leadership.

5.8 We recognise the importance of good management. But this will not be enough. As we have outlined earlier in our report, the challenges that confront the public sector, are long term and unprecedented: rising demand, the need to improve long-term outcomes and sustainable wellbeing, and severe limitations on public sector budgets. These challenges raise 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 organisation through troubled waters and to be open and adaptive to change. Leaders of the future across the spectrum of public services will need to become more adept at operating in highly complex environments.

5.9 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 some that already do so. But 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.

5.10 Of course, effective **organisational** leadership – achieving the aims of the organisation – is essential if we are to improve the performance of public services. However, 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 optimally to meet the needs of the people served. In our previous chapters we have made recommendations that would reform the structures, governance and accountability arrangements of the public sector. These are all designed to create space for just this kind of system leadership to work, and for organisations to work co-productively with citizens to meet their needs. But there would be no point in creating that space without leaders who are consistently capable of using it. Leaders must not only continuously strive for organisational excellence but also play their full part in the whole system of public services, with shared accountability for joined up services within their areas.

The culture and values of public service organisations must drive the improvement of services for the citizen, rather than stand in the way

5.11 We agree with evidence put to us which suggested that culture is a critical aspect in governance. It implies shared values, beliefs and assumptions that are deeply ingrained in an organisation's traditions and influence how an organisation thinks and acts. There is an indisputable 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 explored in more detail in our full report but include:

- Innovation, blame and risk aversion;
- Silo working;
- Passivity;
- Parochialism; and
- Short-termism/lack of vision.

- 5.12 Of course there are organisations and individuals across Wales who demonstrate the opposite of these negative behaviours. However, the weight of evidence has highlighted these as a cause for concern.
- 5.13 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. Evidence we received 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 which would encourage good quality reflective practice, supporting a change in public service culture, should be developed. We agree. There needs to be a change in culture that 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.
- 5.14 We have highlighted above that public service organisations in Wales must have a consistent level of leadership and demonstrate a culture of performance, ambition and innovation if they 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.

Public services need to recruit the best and retain high quality leaders

- 5.15 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.
- 5.16 As we outline elsewhere in our report, Wales has a large number of public service organisations, some of which are small in scale when compared to counterparts in the rest of the UK (and internationally). This has some specific implications for recruitment and retention. We have heard that:
- Larger organisations, where there is often a clearer career path, may be more attractive to potential recruits. For example, 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;

- There are serious risks to smaller organisations, in particular around retaining high-calibre individuals and replacing them when they leave, highlighting the lack of resilience in small organisations;
- With a large number of public service organisations there is more competition for high quality senior and specialised staff than there would otherwise be. We have heard of difficulties in recruiting and retaining staff across a range of services;
- 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; and
- 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. Over time this limits the diversity of an organisation, and makes it insular in its vision and resistant to change.

5.17 It was suggested to us that the cultural distinctiveness of Wales and the increasing divergence of English and Welsh policy also had a part to play in limiting the pool of available talent. We do not agree. Instead there should be a stronger emphasis on the benefits of working within Wales, such as the closeness of a leadership group in a small country and of devolved government, to attract leaders from external markets.

5.18 We have also heard about a lack of diversity in senior public service leaders, both executive and political. People in senior positions, on boards and at the heads of organisations are largely similar people and a common way of thinking is 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.

Improving recruitment and retention

5.19 It is of fundamental importance that only the very best people are appointed to lead public service organisations. 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, retention and resilience. We cannot assume, however, that structural change will lead automatically to improved consistency in the recruitment and retention of high quality leaders and managers.

5.20 We heard some evidence proposing an alternative model for the recruitment for the most senior positions in public sector organisations. The example of New Zealand was

highlighted, where appointments of departmental chief executives are made on merit through a process run by the State Services Commission and overseen by the State Services Commissioner.⁹ 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, we recognise at least one public body in Wales (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.

- 5.21 It is important therefore to develop a national framework for appointing senior public service officials **[see Recommendation 48 and 49]**. 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 service recruitment would help encourage and support applicants. The new 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 (including a panel of independent assessors as necessary).

The identification and development of future leaders needs to be consistent and effective across all public services

- 5.22 We heard evidence from a variety of public service organisations¹⁰ that there is a need to more consistently identify and promote talent from across Wales. It is essential that organisations identify, nurture and develop the leaders of the future wherever they sit within the organisation.
- 5.23 Leadership should not just be viewed as the concern of the highest level in the organisation (be it the chief executive, the board or the cabinet). Evidence to us suggested that a model which locates leadership in managers, especially a limited number holding senior positions, is incapable of transforming the organisations of which they are part. 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.

⁹ Paun, A and Harris J. 2012 *Reforming civil service accountability: Lessons from New Zealand and Australia* Institute for Government

¹⁰ Including Wales TUC; Public Service Leadership Group Chief Executives; WIHSC; Estyn.

- 5.24 Current approaches to leadership identification and development are fragmented between organisations; different services establish their own development programmes often aligned with their own organisational requirements. This reinforces some of the negative aspects of leadership and culture that we have identified above. A common approach, which encourages future leaders to gain experience in working across a variety of areas of public service in Wales would, for example, help to improve the quality of leadership across public services, remove barriers of silo working, help the spread of best practice, aid in the recruitment and retention of leaders and help instil a culture of 'one public service for Wales'.
- 5.25 As outlined above we have heard that the quality of professional leadership in Wales is too variable and there is a need for a consistent and mandated approach to leadership development, whether officers or elected members. This view was echoed by organisations in health, local government, the third sector and the regulators and inspectors. We have identified a common set of leadership issues and a need to identify leaders in a consistent manner to generate a common approach to leadership development across Welsh public services.

There is a need for a new public service leadership and development centre for Wales

- 5.26 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 provided leadership development aimed at shaping the future of leadership and leaders within Wales. 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'.
- 5.27 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 demand-led. As a result, there is a tendency to provide training to those organisations that are already fully engaged in developing their future leaders, rather than to those that need to be but are not. It has also been suggested that, whilst the products and services offered meet the needs of those who are engaged with the Academi, they do not meet the needs of the wider public service.
- 5.28 We recognise that 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. We believe, however, that Academi Wales is not currently formed to create a step change in leadership, culture and values for 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. In essence, the driving vision behind Academi Wales has evolved from its former roles as PSMW and NLIAH. For its role to be transformed and for it to expand its reach across public services, a public service leadership and development centre needs to 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', helping to standardise 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 is explored further later in this chapter);
- Is accountable to the public service it supports and provides the products and services required by public service organisations;
- 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.

5.29 It is essential that Wales has a single body focussed 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 in Wales, we believe that the Welsh Government must make a number of changes to replace the current Academi Wales with a new public service leadership and development centre [*see Recommendation 45 and 46*], which fulfils the role described above. These changes should be implemented as soon as possible so that the required support for leadership and cultural change is in place to facilitate and support the programme of change we recommend elsewhere in our report [*see Recommendation 47*].

5.30 In our full report we outline in detail the changes we would expect to be made to the governance, organisation and remit in order to transform Academi Wales into the new public service leadership and development centre. This will include establishing the organisation outside of Welsh Government and owned by the whole public sector. The organisation should be led by a Chair and Chief Executive able to develop high quality public service leadership in Wales. He or she should report to a Board with representation from across professions and services in the public sector and a contributory charging model should be considered so as to ensure responsiveness to customer requirements and to improve ownership and accountability across public service organisations. The organisation should be tasked with developing and implementing a framework for recruitment for senior public service leaders (see

above) and leading the development of a core set of public service values (see below) to drive the transformation in public services.

There should be consistency in skills and behaviours across public services

- 5.31 High performing organisations demonstrate a culture of improvement, and one that recognises the value of their staff in delivering and demonstrating organisational vision and values. To facilitate this it is essential that every organisation delivering public services has an effective performance management system in place: one that engages staff, links the objectives of the organisation with personal development plans, and drives improvement. As we explain in Chapter 6, 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. Public service bodies must measure performance and report on progress consistently throughout and across their organisations in a way that is timely and transparent, in order to support good governance and drive continuous improvement.
- 5.32 A common approach to embedding consistent and acceptable behaviours and skills will help to achieve consistency in individual and organisational performance management across public service organisations. This would:
- Support a more consistent approach to identifying talent and improve collective assessment of available talent across the public service;
 - Ensure that workforce planning is considered as a pan public service exercise to ensure 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.
- 5.33 We recommend above that the new public service leadership and development centre 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 our report. However, we also believe that improvements in public service performance can be driven by the values of the workforce as well as their skills.

Public service leaders must embrace a shared set of public service values

- 5.34 Values, and the behaviours they engender, ultimately help create the culture of organisations. A high performing organisation aligns its 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. The evidence presented to us has clearly demonstrated the importance of a positive 'value-set' in underpinning organisational culture and organisational delivery.

- 5.35 The challenges that confront public services - rising demand, the need to improve wellbeing outcomes, the limitations on public sector budgets - are severe and unprecedented. We believe that establishing effective cultures, which embody a clear and consistent set of values across the public service, is essential to addressing these challenges.
- 5.36 Wales is a small country but one with a strong culture which creates a strong sense of community. 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 which will act as the foundation for reforming public services. As we indicate in Chapter 4, the hallmark of good governance is the development of shared values that become part of the organisation's shared culture, underpinning policy and behaviour. 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.
- 5.37 We believe it is both possible and desirable to develop a set of public service values that would be meaningful and relevant to anyone in any public service organisation. We consider that doing so will help drive a change in culture across the public sector. **[see Recommendation 50]**. Public service leaders must embrace a set of public service values that continuously strive to achieve best practice and unequivocally commit to the delivery of seamless high quality services.
- 5.38 Values cannot be imposed. Where they have been embedded throughout an 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 did see, however, a level of consistency in value sets across public service organisations and believe therefore, that it should be possible to develop a single public service set of values. In developing these values we would want them to: 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' 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 workforce 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.

Conclusions

5.39 In this chapter we have concluded that:

- There is a need for a new approach to how public services operate at all levels: their values, their workforce and their leaders;
- Wales needs to recruit and retain the best. The right leadership, culture and values are fundamental to the future success of public services;
- Improvement requires consistency in the recruitment and retention of high quality leaders; effective identification and development of future leaders; and the comprehensive adoption of a consistent set of public service values; and
- A new public service leadership and development centre should be established to lead on this agenda and take forward our specific recommendations.

5.40 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. 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 to embed the culture and values to sustain them. As we set out in the introduction to our report, a new approach to public services is required if we are to create the step change in performance we need. We consider issues of public service performance more generally in the next chapter.

Chapter 6: Performance and Performance Management

The performance of public services in Wales is poor and patchy.

Auditor General for Wales

Introduction

- 6.1 The preceding chapters of our report have identified some issues and weaknesses in how the Welsh public sector is structured, governed and led. These need to be tackled holistically if the public sector is to meet the long-term challenges it faces. In this chapter, we consider the immediate consequences of those problems as they relate to the standard of public services that organisations provide.
- 6.2 Some of our services and some organisations perform well. But performance overall is stagnant, and there are 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 to cope with the coming and unavoidable challenges of increasing demand for services alongside decreasing resources to provide them.
- 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 which cannot and will not 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. However, that implies 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 which does not and cannot maximise those attributes.
- 6.4 A related problem is the way in which the public sector manages performance. We know from evidence from around the world that performance management can significantly improve service quality if the right data, benchmarks, systems, and incentives are in place. Yet at present there is a widespread lack of clarity and consistency about the objectives which are pursued, about how progress is measured, monitored, compared and accounted for, and about the mechanisms to drive improvement. Again, we believe this is a product of the wider issues we have identified; and like those wider issues, radical action is needed to address it.

Performance is poor and patchy over time and relative to other countries

- 6.5 We have considered the performance of our major public services over time, compared with similar services elsewhere; and including the varying levels of performance within Wales. These comparisons reveal significant and sustained problems.
- 6.6 There is ample evidence to show that many major services are improving only very slowly if at all; and that many comparisons with other countries are not flattering. While there is some evidence to suggest that this may be partly due to recent financial austerity, the longer-term trends appear to predate that.
- 6.7 Many local government services do show some improvement over time. But this is typically slow, and there is often a gap between performance in Wales and better performance elsewhere. For instance, the proportion of Welsh pupils getting at least 5 good GCSEs including English or Welsh and Mathematics has been below that in England for the past 6 years, and increasingly so until a small narrowing of the gap last year. There has been no improvement at all in measures of social services performance like stability of placements for looked-after children (around 10% of whom have had 3 or more placements per year since 2006) or support for older people to live at home (which has declined from around 90 per thousand older people in 2006-7 to 78 per thousand last year).
- 6.8 The position is no better in the NHS. Overall performance is declining and/or below target on many key measures. For instance, every health board has consistently missed the targets for treating 95% of patients with urgent suspected cancer within 62 days and for seeing 95% of accident and emergency patients within four hours; and the percentage of people referred for treatment within 28 weeks has fallen from over 98% in March 2010 to under 90% last summer.
- 6.9 This may well be due to the fundamental pressures of rising demand for services and falling real resources to provide them. Those pressures may well have affected the NHS earlier and harder than other parts of the public sector. But no part of the public sector will be able to escape them in the medium term. It is clear that many of our major services are already struggling to deliver – not through incompetence but through a simple lack of capacity to meet demand. That is plainly unsustainable and underlines the need for the radical programme of long-term reform we propose in our report.

There are wide and unacceptable variations in how different organisations perform

- 6.10 We found significant variations in levels of performance across Wales. There are wide and often unacceptable disparities in the standard of the same service provided by different organisations – creating a so-called ‘postcode lottery’ of service provision.
- 6.11 In local government services, for instance, we found very wide variations in the prevention of delayed transfers of care (or ‘bed-blocking’) – the worst-performing local authority had a rate of delay which was 50 times greater than that in the best. Similarly, one local authority prevented all at-risk households in its area from becoming homeless. Another managed to do so in only 1.2% of cases. There were equally wide variations in school attainment, completion of disabled facilities grants, providing affordable housing and keeping streets clean and free of litter.
- 6.12 Again, the position in the NHS was similar. While the range of differences in performance was generally not as great, it was still significant. For instance, the rate of death from stroke in one health board was proportionately 50% greater than in another; and hospital patients in one health board had rates of *C. difficile* and MRSA infection at least twice those in the best-performing health board.
- 6.13 Some differences in performance between organisations are normal if they reflect different challenges, contexts and priorities. But we do not believe that explains most of what we have seen. Many of the differences are too great, and some of them relate to processes and practices which should not vary between organisations or areas at all. We are bound to conclude that ‘postcode lotteries’ are widespread – some people receive markedly worse service simply because of where they live.
- 6.14 Nor do we believe this variation is due to austerity or demographic change. Those pressures apply across Wales and across the public sector. And disparities in performance have been occurring for longer than the recent recession. Rather, they reflect the problems we have discussed elsewhere in our report. Organisations cannot and do not manage the performance of all of their services equally well.

Some services have performed very well, and lessons should be learned from them

- 6.15 However, we did find evidence of services which have defied these trends and which perform increasingly well. Two examples are set out below.
- 6.16 Firstly, Wales’s three fire services have a very strong record. The overall number of fires has fallen by around 60% in Wales and England since 2004 – probably because of factors like the use of non-flammable building and furnishing materials and a decline in the incidence of smoking. But the rate of casualties in Wales has fallen even faster

– by around 56%, compared to 45% in England. If a fire does break out, people are significantly less likely to die or be injured here than they were several years ago, or than they are in England. That reflects 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.

- 6.17 This demonstrates the importance of public services focusing on prevention, and on working with communities to secure beneficial outcomes. By engaging citizens and communities in contributing to their own safety, the services have reduced the need for high-cost responsive firefighting services. This has direct and obvious benefits for performance, efficiency and, most importantly, public safety. This move to prevention and co-production is vital to making public services sustainable. The fire services have made that shift, and manage their performance accordingly.
- 6.18 A further conspicuous success is in waste recycling. Here, Wales's performance has rapidly outstripped the rest of the UK, despite being relatively weak a few years ago. The percentage of waste recycled in Wales has almost doubled since 2006, from 27% to 52%, whereas in England it increased only from 31% to 44%. At the same time, the gap between the best and worst-performing local authorities has more than halved. This has yielded very significant environmental and economic benefits.
- 6.19 The key to this has been a comprehensive programme to drive change nationally and locally. The Welsh Government has set statutory targets for waste recycling, and underpinned that with local and national programmes of service redesign, public education and collaborative procurement of expensive plant and equipment. This has created both clarity of purpose in the form of targets and a clear set of measures to allow those targets to be met.
- 6.20 Again, we believe that approach can and should be applied more widely. In particular, where outcomes are clear and uniform, and where it is possible to support their attainment through service redesign and public education, standard targets can drive improvement successfully and sustainably.
- 6.21 We believe lessons can and should be learned from both of these successes, lessons which should form part of a comprehensive overhaul of national performance management arrangements.

National performance management arrangements are far too complex, and do not drive improvement effectively

- 6.22 Performance data have a much more important value than just measuring the quality of public services. They must be used to drive improvement in those services,

whether by organisations monitoring, analysing or acting on them, or by citizens and scrutiny bodies using them to hold organisations to account.

- 6.23 That need for effective performance management is particularly important here. Wales has deliberately not adopted the competition-based approach to public service improvement seen in some other countries. Under such approaches, citizens choose between competing service-providers and can use performance data (and/or aggregations of it into star ratings or league tables) to inform that choice. If performance data are not used in this way then such data must instead support continuous improvement through effective organisational action and strong external challenge. The ‘invisible hand’ of the market must be replaced by an equally effective ‘visible hand’ of performance management and accountability. That demands a coherent and transparent set of performance data and performance improvement and reporting mechanisms supporting clear and agreed strategic outcomes. In our view the current arrangements and systems are a long way short of meeting those needs.
- 6.24 There are currently several overlapping sources of information and data about performance. Some of these are set nationally, including the Welsh Government’s *Programme for Government*, statutory targets and indicators, and national data collections. Alongside that, most organisations define their own targets and indicators, and collect data for them. All of these sources conflate different types of information. These include data about inputs (service resourcing and volume), process (service efficiency and throughput), outputs (service quality and availability) and outcomes (service impact and societal change).
- 6.25 We received overwhelming evidence that these arrangements are hugely complex and problematic. They lack clarity about the outcomes that the public sector should pursue, and prevent strategic priority-setting. Collecting and collating the data is a significant burden in itself, and one which focuses attention on measurement rather than improvement. There are also examples of inconsistencies and duplications: different parts of the public sector measure the same things in different ways, and in some cases there are several different measures of the same service (for example, there are at least seven ways of measuring school attainment at age 16). Such breadth and complexity significantly hinders accountability, especially to the public. Performance data are too numerous, complex and technical for non-experts to understand.
- 6.26 We believe a radical overhaul is needed, to create a single and coherent national performance management framework comprising four interrelated components:
- **A clear and concise statement of strategic all-Wales outcomes to which all public sector organisations contribute.** Formulating, monitoring and reporting on these

outcomes should be for the Welsh Government; accountable to the National Assembly for Wales and the public for progress;

- **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;
- **A standard set of measures of overall service performance, which must be robust, streamlined and consistent across and between organisations.** These would measure how well each service sustains progress towards local and national outcomes. The measures should be agreed between the Welsh Government, service-providers and regulators across the public sector; and
- **Local and organisational indicators of programme effectiveness** especially where means of delivering services are tailored to reflect particular community or client-group needs. These should be the basis for co-productive dialogue between service-providers and citizens *[see Recommendations 53 and 54]*.

6.27 This structure should culminate in national outcomes set by the Welsh Government, with other components showing contributions to those in increasingly greater detail and with increasingly more local and organisational discretion. Other relatively small jurisdictions such as Virginia, Scotland and New Zealand have successfully adopted this approach and we commend them as examples.

6.28 However, further changes are needed to ensure that the framework drives improvement rather than just measuring performance. In particular, the national framework should also incorporate lessons learned from the success stories we identified above:

- Firstly, the example of the fire service, shows the value of national and local outcome measures focusing on prevention and on improved wellbeing flowing from that. They should reflect organisations' efforts to reduce the demand for responsive services rather than measuring their throughput or efficiency; *[see Recommendation 51]*
- Secondly, Wales's success in waste recycling demonstrates that standard targets can and should be used where (but only where) there is little variation in how or for whom a service is provided, and there is clear evidence that service redesign and public engagement can improve a service for relatively little cost. Targets should be used much more cautiously elsewhere. In particular targets should not be used unthinkingly for measures of process, throughput or service volume where organisations risk not having the capacity to meet them. *[see Recommendation 52]*

6.29 We also consider there should be formal performance agreements between the Welsh Government and each local service board. These would set out the outcomes that the

latter will pursue and how these will be measured, possibly with some form of financial or discretion-based incentive for good performance. This would increase clarity without hampering local priority-setting. The Welsh Government's current outcome agreement programme is a basis for this in principle, although it would need significant reform. **[see Recommendation 55].**

- 6.30 Comparing performance with similar services in other countries is a powerful means of understanding service quality and identifying other policies and delivery mechanisms which appear to work. However, it can be frustrated by differences in policy emphasis or data definitions. This means that this process of benchmarking does not happen nearly as much as it should. Instead, comparison happens too often within Wales alone.
- 6.31 It should be possible to overcome many of the detailed problems which frustrate widespread benchmarking with the right commitment. At a national level, the Welsh Government needs to take a lead: to identify comparable performance data in other countries; to publish clear and meaningful comparisons between the performance in Wales and that of the 'best in class' elsewhere; and to use that to identify under-performance and cases where different policies and delivery mechanisms might improve it. Individual organisations need to do likewise. **[see Recommendations 56 and 57].**
- 6.32 Performance management techniques do not automatically generate improvement – they only highlight where improvement is needed. Actually providing better services depends on changing how those services are managed and delivered; which in turn often depends on adopting good practice which other organisations have successfully deployed.
- 6.33 Identifying and applying good practice ought to be common sense, and ought to arise naturally from effective benchmarking. But we heard repeatedly that this did not happen consistently or well. Organisations often appeared to be defensive about their own ways of working, and reluctant to adopt good practice that had been developed elsewhere. While that was not universally true, organisations which already perform well may be among most open to adopting good practice; whereas it is those who perform less well that are most in need of doing so. This partly explains the disparities in performance levels which we described earlier.
- 6.34 It is unlikely that there will ever be a sustained improvement in performance unless good practice spreads more effectively, and unless all organisations become more open to adopting it. Furthermore, defending current ways of working as ends in themselves undermines the basic purpose of public service.

- 6.35 We saw in the example of waste recycling that a co-ordinated and nationally-led programme of service change can lead to major improvements. That could happen in other services too. Where there is clear evidence that adopting good practice would demonstrably and consistently lead to better outcomes, it is incumbent on service-providers to adopt that practice, and on the Welsh Government to ensure that they do so. Where reasons are why a particular service-provider cannot adopt a specific good practice approach that needs to be fully justified. That is particularly important in areas where there are wide disparities in performance now; and especially if that persists, the Welsh Government needs to consider compelling the adoption of good practice **[see Recommendation 58]**.
- 6.36 We do not expect the Welsh Government to prescribe in detail how each service is managed. But we do expect each organisation and its staff to identify and adopt good practice openly and effectively, and for associations and networks to support that process. Our recommendations on leadership, culture and values in the previous chapter will be critical in making this work.

Organisations do not manage or report performance in ways which improve performance and accountability

- 6.37 The current weaknesses of national performance management arrangements are mirrored at local and organisational level. We found repeated evidence that organisations do not use data effectively: they tend to collect it simply to comply with requirements to do so. They may also suffer from a lack of ambition and a tolerance of mediocrity: too many were content with being ‘above the Welsh average’. Some organisations also appear to report their performance selectively, choosing the data which present them in the best possible light. These problems are exacerbated by the weaknesses at national level, but overcoming them needs local and organisational action too.
- 6.38 Firstly, each organisation must have a coherent and robust system for performance management, that is, for using information intelligently to drive improvement and meet objectives and outcomes. There are many established models, methods and ICT packages for doing this, and we express no preference between them. Organisations need only ensure that they have such a system, and that it can be shown to work across the organisation. It would also be helpful for organisations which routinely collaborate to have common or mutually compatible approaches **[see Recommendation 59]**.
- 6.39 Second, performance management needs to apply to the whole organisation at all levels. If it is to be effective, it must influence and be influenced by the activities of those on the front line. This demands much more than mandatory processes and

systems; it also needs a culture and a set of values that support excellence and look constantly for the scope to improve. In particular, staff at all levels need to be engaged in defining objectives and means of measuring their delivery, and in using performance information to improve service delivery. We received evidence from some parts of the public sector of this happening, but it appears patchy at best. Elsewhere, performance management risks being a task only for corporate centres and/or specialists in data analysis. **[see Recommendation 60].**

- 6.40 Finally, performance information must be reported openly, honestly and accessibly. Only then can it help citizens and others to hold public organisations to account, and to influence them to change and improve. Again, we found evidence of very mixed practice in this area. Some organisations have certainly improved their standards of reporting in recent years, but others simply publish large volumes of technical data with little or no explanation, context or narrative.
- 6.41 This appears to be a particular problem in the NHS. While some national-level improvements have been made very recently, health performance data are often highly technical, published without clear explanations and concentrate unduly on acute care rather than on the wider range of services such as primary and community care, and public health, that the NHS provides. This means that citizens find it hard to understand NHS performance and to hold LHBs and trusts to account; and that those charged with formal scrutiny do not receive the information they need to identify possible problems of quality or delivery clearly and promptly. NHS bodies and the Welsh Government need to correct that swiftly and comprehensively **[see Recommendation 61].**
- 6.42 The wider problem of variable standards of performance reporting also needs to be addressed. Without that, the ‘visible hand’ of service improvement will not work: if organisations are not clear and open about what they have achieved, others will be unable to hold them to account. The Welsh Government, in consultation with service-providers and the major regulators, should formulate principles and standards on performance reporting to apply across the public sector. They should also apply to the Welsh Government’s reporting on delivery of national outcomes **[see Recommendation 62].**

Conclusions

- 6.43 In this chapter we have found that:
- The performance of Welsh public services is poor and patchy when compared over time or with other countries;
 - There are unacceptable disparities in standards of service between organisations, giving rise to widespread postcode lotteries;

- Some services have performed well, but more needs to be done to apply the lessons from those;
- Performance information needs to be more coherent and transparent if it is to drive improvement effectively without resorting to competition between service-providers;
- An important part of that will be a comprehensive reform of national performance management arrangements, including a clearer focus on fewer outcomes and better and more selective use of targets and incentives; and
- Organisations also need to overhaul the ways in which they monitor, manage and report performance if they are to improve sustainably.

6.44 The weaknesses that exist in performance and in how it is managed are in our view the product of the problems we have examined in our previous chapters. Over-complex structures and relationships, the difficulties created by small scale, weakly functioning governance and scrutiny, and inconsistencies in public-sector leadership and culture, all combine to create a situation in which it is not surprising that public sector bodies do not perform as well as they could or should.

6.45 That is crucial. We believe it would be wholly wrong to attribute poor performance to a lack of effort or commitment, or to exhort service-providers simply to ‘try harder’. **Rather, there are systemic, interlocking and more fundamental problems within the public sector which make these patterns of performance all but inevitable.** Those problems demand equally coherent and mutually-reinforcing solutions. In drawing our report to a close, we explain in our final chapter how that needs to happen and how it can be sustained.

Chapter 7: Our Diagnosis: Systemic Challenges, Systemic Solutions

Introduction

- 7.1 In the previous chapters of this and our fuller 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.¹¹ 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

¹¹ 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.¹² 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 them, 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. 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 approach the necessary policy and legislative changes systemically and comprehensively. **They should not address some weaknesses but not others, or pick and choose among the recommendations we make.**

¹² See, for instance, *Weathering the storm? A look at small countries' public services in times of austerity* Wales Public Services 2025 / Carnegie UK Trust, 2013.

- 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.
- The design and structure of the public sector creates and exacerbates wider problems of governance and delivery. The Welsh public sector is overly complex and crowded. A corollary of this overcrowding is that many organisations are small with attendant risks of capacity, leadership, resilience flexibility and cost;
 - These design and structural issues mean that those within organisations have insufficient space, time or capacity to function well and strategically. Their systems and values may have self reinforcing defects. For example, 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. That helps to reinforce cultures and behaviours which emphasise continuity, insularity and risk aversion.
- 7.8 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.
- 7.9 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 we have described. 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

- 7.10 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 describe. Just as they lack enough space or capacity to address their own strategic challenges, they are also unable to consider and challenge the systemic issues which we have identified in this report effectively. 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 programmes¹³; 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, albeit from the opposite end of the policy-making chain. 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 variable 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.

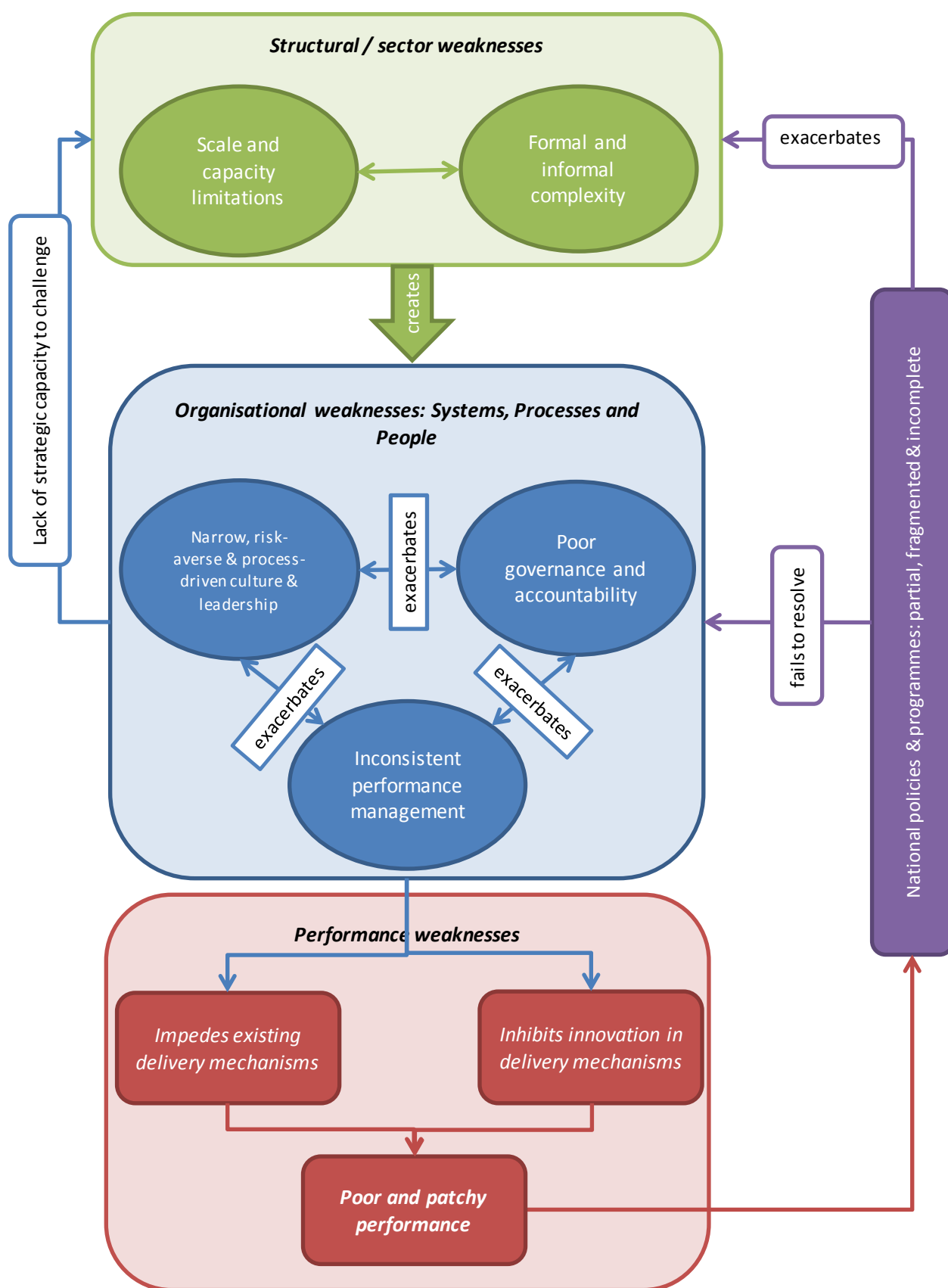
Summary of the problems

7.11 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.**

¹³ For instance, oral evidence at the North Wales Regional Leadership Board, 19 July 2013.

7.12 These problems form a self perpetuating circle which is demonstrated in the diagram below.



- 7.13 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.
- 7.14 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

- 7.15 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.
- 7.16 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.
- 7.17 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.

- 7.18 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

- 7.19 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 serious 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.

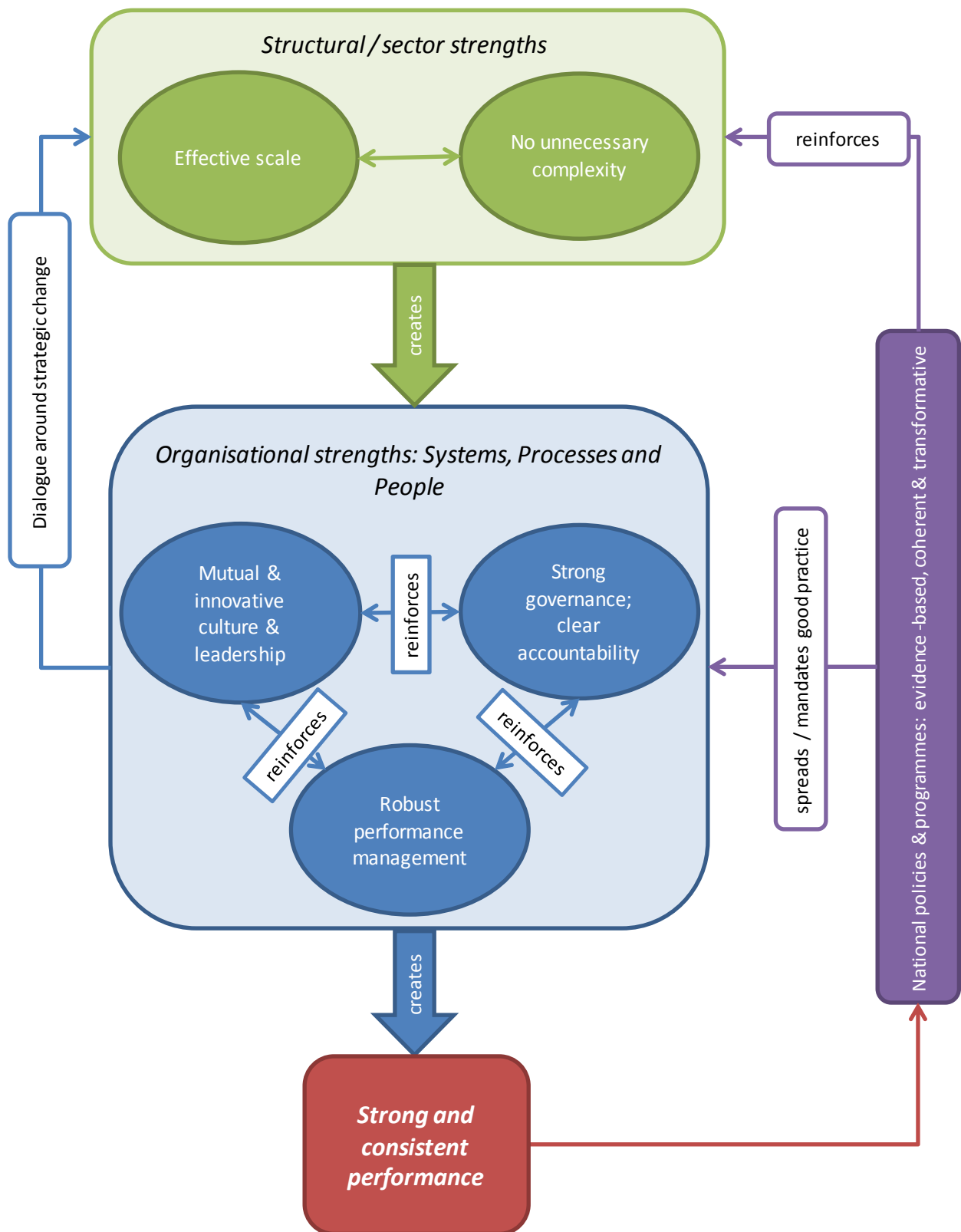
7.20 We do not underestimate the national and local challenges to implementing our proposals. **But we are clear that they need to be implemented, coherently, effectively and without delay.** Interlinked and self-reinforcing problems demand equally coherent and mutually supportive solutions. If only some proposals are implemented, some of the current weaknesses will remain. That would undermine the changes brought in and leave the self-perpetuating negative circle intact.

7.21 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.

7.22 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 the Programme of Change

- 7.23 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.
- 7.24 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.
- 7.25 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.
- 7.26 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.
- 7.27 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).

7.28 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.

7.29 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.

7.30 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

7.31 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.

7.32 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

- 7.33 This Commission was established because of 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.
- 7.34 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 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.
- 7.35 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.

List of Recommendations

(Note: Paragraph numbers refer to our Full Report and these recommendations follow the order of that report)

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)