



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Annual Improvement Report

Denbighshire County Council

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About the Auditor General for Wales

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

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

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

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Huw Lloyd Jones and Gwilym Bury under the direction of Alan Morris.

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Summary report and proposals for improvement

Summary

- 1 Each year, the Auditor General must report on how well Welsh councils, fire and rescue authorities and national parks are planning for improvement in delivering their services. This report draws on the work of the relevant Welsh inspectorates, as well as work undertaken on the Auditor General's behalf by the Wales Audit Office. The report covers Denbighshire County Council's (the Council) delivery and evaluation of its services in 2012-13, its planning for improvement in 2013-14 and, taking these into account, concludes whether the Auditor General believes that the Council will make arrangements to secure continuous improvement for 2014-15.
 - the Council continues to improve the wellbeing of its most vulnerable citizens;
 - the Council has worked effectively to keep Denbighshire's environment attractive but further work is required to reduce incidents of fly-tipping and improve resident satisfaction;
 - the Council has helped prevent many people from becoming homeless but its work to ensure access to affordable housing was less effective; and
 - the Council has delivered some efficiencies in modernising services but there has been a lack of progress by the Human Resources service in meeting targets.
- 2 We found that the Council made good progress in delivering improvements in all of its priority objectives for 2012-13 but further improvements are required in a few key services. We came to this conclusion because:
 - the Council worked effectively with its business partners to deliver initiatives which support the local economy;
 - the Council has made some progress in improving performance in education but recognises that further progress is required at key stage 3;
 - the condition of most roads in Denbighshire has improved;
- 3 We found that the Council's service challenge reviews and other measures to self-evaluate its performance are robust. In particular:
 - the Council's service challenge arrangements are good;
 - the Council's performance management arrangements are soundly based;
 - the Council has met improvement reporting duties required under the Measure; and
 - the Council complied with financial reporting requirements.

4 Finally, we found that the Council's planning for improvement and its arrangements to support improvement are good. In particular:

- the use of performance standards helps to promote a consistent culture of ambition;
- the Council continues to make good progress in addressing the proposals for improvement identified in the previous Annual Improvement Report;
- corporate arrangements are in place to ensure compliance with the Council's Welsh Language Scheme;
- the Council has complied with its duties under the Equality Act 2010;
- processes for developing the Annual Governance Statement have improved and the Council is taking further action; and
- the Council continues to manage its financial position effectively.

5 Taking the above into account, the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.

Proposals for improvement

P1	In order to achieve its objective to modernise services the Council should continue its work to address weaknesses in its Corporate Human Resource Service.
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P2	The Council should ensure that roles and responsibilities are clear for the achievement of the affordable housing objective.
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Detailed report

Introduction

- 6 Under the Local Government (Wales) Measure 2009 (the Measure), the Auditor General must report each year on how well Welsh councils, fire and rescue authorities and national park authorities are planning for improvement in delivering their services. [Appendix 1](#) provides more information about the Auditor General's powers and duties under the Measure. With help from Welsh inspectorates, Estyn (for education), the Care and Social Services Inspectorate for Wales (the CSSIW), and the Welsh Language Commissioner, we have brought together a picture of what each council or authority in Wales is trying to achieve, how it is going about it, and the progress the Council has made since the Auditor General published his last annual improvement report. The report also draws on the Council's own self-assessment. Finally, taking all this into account, the report concludes whether the Auditor General believes that the Council is likely to make arrangements to secure continuous improvement for 2014-15.
- 7 We do not undertake a comprehensive annual review of all Council arrangements or services. The conclusions in this report are based on our cumulative and shared knowledge and the findings of prioritised work undertaken this year.
- 8 Given the wide range of services provided and the challenges facing the Council, it would be unusual if we did not find things that can be improved. The Auditor General is able to:
- make proposals for improvement – if proposals are made to the Council, we would expect them to do something about them and we will follow up what happens;
 - make formal recommendations for improvement – if a formal recommendation is made the Council must prepare a response to that recommendation within 30 working days;
 - conduct a special inspection and publish a report and make recommendations; and
 - recommend to Ministers of the Welsh Government that they intervene in some way.
- 9 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@wao.gov.uk or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

The Council made good progress in delivering improvements in all of its priority objectives for 2012-13 but further improvements are required in a few key services

The Council worked effectively with its business partners to deliver initiatives that support the local economy

- 10 The Council's 2012-13 improvement objectives for developing the economy had six intended outcomes:
- the infrastructure that connects the county, to the wider region and beyond, will enable individuals and businesses based in Denbighshire to compete effectively in wider markets for jobs and trade;
 - Denbighshire will have a workforce with the skills required for business growth;
 - businesses will develop and grow in Denbighshire;
 - Denbighshire's existing economic strengths and new potential will be maximised;
 - towns and rural communities will be revitalised; and
 - deprivation in parts of Rhyl and upper Denbigh will be reduced.
- 11 The Council has played an active role, together with the other five unitary authorities in North Wales, in establishing the North Wales Economic Ambition Board. The Council is a strong advocate of the Board, acknowledging that the economic wellbeing of the County depends heavily on what happens beyond its boundaries as well as within. Responsibility for developing the Board's agreed priorities has been allocated to each partner. The Board is working on the
- development of an integrated Infrastructure Investment Plan – which includes the development of an economic case for investment in rail electrification in North Wales – and a Skills Development Plan.
- 12 During 2012-13, activities associated with this outcome focused on liaising with Sector Skills Councils and Careers Wales to identify skills gaps and to prepare advice and training courses to support young people. For example, the Council negotiated a development agreement with Rhyl City Strategy and the owners of the former Honey Club; as the site is redeveloped into a hotel and restaurant, customised training will help local residents seeking work to acquire the skills required when staff recruitment begins.
- 13 As was the case in 2011-12, the target to reduce the level of Job Seeker's Allowance claimants compared to average levels in Wales was again missed, but this indicator has fluctuated and may not be a reflection on the effectiveness of the Council's work to support economic growth. The reduction in the last two years in the percentage of economic inactivity in Denbighshire and the reduction in the absolute number of people claiming Job Seeker's Allowance is a positive trend.
- 14 In our last Annual Improvement Report we reported that it is difficult to judge the impact of the Council's intervention in helping to develop the local economy. The North Wales Economic Ambition Board has recently established a set of outcome measures to measure future progress but will not be able to report on these measures until next year. Many of these indicators lack baseline

data, and further measures may also be introduced to reflect the dynamic nature of economic development. This means that the Council will not be able to monitor progress against its economy-related outcomes robustly until the end of 2014-15.

- 15 In the meantime, however, the Council has started using third-party economic data, such as those produced by the Office for National Statistics, to monitor changes in the local economy. Although these statistics are influenced by a wide range of external factors, they can be a valuable source of information about local, regional and national economic issues. The statistics help the Council to identify areas where significant improvements are needed; for example, whilst the County has a relatively low proportion of working age residents with no qualifications, it has a higher-than average proportion of working age residents with qualifications at Level Two and above. So, whilst residents seeking work may have basic qualifications, many will be unable to compete effectively for vacancies which demand higher-level qualifications. A key challenge for the Council will be to develop a robust understanding of the health of the local economy and to use that understanding to influence the way it provides support.

- 16 Individual projects to develop the economy have continued to progress. The Council and its partners were successful in continuing to support a number of capital projects including the completion of work of the new bridge and harbour improvements at Foryd Harbour. The Pont y Ddraig pedestrian and cycle bridge, which spans the Clwyd estuary,

is part of a £10.5 million development and includes a public square and a quayside building to create a hub for the harbour, the surrounding dunes and beach areas.

- 17 The Council focused on supporting the delivery of projects identified within the seven Town and Area Plans, such as establishing a 'town team' within Ruthin to encourage businesses, visitor attractions and events to work in a more co-ordinated way. It also made progress in developing sustainable plans for funding future projects following the unsuccessful bid for Welsh Government funding from the Vibrant and Viable Places Fund to support initiatives within Rhyl.

The Council has made some progress in improving performance in education but recognises that further progress is required at key stage 3

- 18 The Council's education Corporate Plan priority is to improve performance and the quality of school buildings. Overall the Council has assessed its progress as positive and considers that it is well placed to deliver its plans for 21st century schools, and that it has made good progress in delivering its Modernising Education programme. It has agreed an appropriate framework for school reorganisation and is delivering this framework through an effective process of area reviews. Estyn inspected 10 schools in Denbighshire during the 2012-13 academic year. The inspection outcomes compare favourably with those in other councils; over 90 per cent of the grades awarded were 'good' or 'excellent', and none were unsatisfactory.

- 19 Our review of education performance data shows that pupils in Denbighshire's primary schools generally achieved satisfactorily in 2013. Results in the Foundation Phase (seven year olds) and at Key Stage 2 improved in comparison with 2012 and at a rate broadly in line with the Wales average. In 2013, 84.9 per cent of seven-year-olds in Denbighshire schools achieved the Foundation Phase indicator, above the Wales average of 83 per cent and the eighth highest in Wales. At key stage 2, 86 per cent of pupils achieved the core subject indicator¹ compared with 84.3 per cent across Wales, the ninth highest. A comparison of performance in Denbighshire primary schools with that in schools across Wales with similar levels of deprivation shows that schools in Denbighshire performed broadly at the level that might be expected in both the Foundation Phase and at key stage 2.
- 20 Pupils' performance in secondary schools in 2013 was mixed. At key stage 3, the proportion of 14-year-old pupils achieving the core subject indicator, as measured by teacher assessment, has been below the Wales average in four of the last five years, with 75 per cent doing so in 2013. Though an improvement on 2012, the Wales average improved to 77 per cent, leaving Denbighshire's performance the sixth lowest in Wales. When compared with schools elsewhere in Wales with similar levels of deprivation, results in Denbighshire's schools were weak. The proportion of pupils achieving higher National Curriculum levels (Levels 6 and 7) in Denbighshire is markedly lower in English, Welsh and science than the Wales average.
- 21 The development of the North Wales regional school improvement service, 'GwE', which began its work in April 2013, has the potential to promote improved standards in schools. GwE also has the potential to improve the consistency of teacher assessment across North Wales, an issue that may affect the reliability of data about pupil performance at the Foundation Phase and key stages 2 and 3.
- 22 At the age of 16, however, the proportion of pupils in Denbighshire achieving the Level 2 Threshold (equivalent to five or more good GCSE passes) reached 85.7 per cent in 2013, well above the Wales average and the second highest in Wales. Performance against this measure has improved by almost 18 percentage points over the last four years whereas the Wales average has increased by only 11 percentage points. Five of the eight secondary schools in Denbighshire were in the top quartile when compared with schools elsewhere in Wales.
- 23 Nevertheless, the proportion of pupils whose GCSE qualifications included good grades in English or Welsh (first language) and mathematics fell slightly in 2013 to 53.4 per cent, only slightly better than the Wales average. The Council is aware that performance against this measure should be better. The proportion of 16-year-old school-leavers in Denbighshire who do not progress into further education, training or employment fell significantly in 2012, the latest year for which data is available, to 2.9 per cent, which is the fifth lowest among councils in Wales, and much better than the Welsh average of 4.2 per cent.

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

- 24 Rates of attendance in both primary and secondary schools fell slightly during 2012/13. In primary schools, attendance compares favourably with the Wales average and attendance in individual schools compares well with similar schools elsewhere in Wales. In secondary schools, however, attendance rates fell slightly to 92.4 per cent, slightly below the Wales average. Comparisons with similar schools elsewhere in Wales indicate that, in six Denbighshire schools, attendance in 2012-13 did not compare well with that in similar schools across Wales.
- 25 Rates of permanent and longer fixed-term exclusions from Denbighshire secondary schools are low. During the 2012-13 academic year, the rate of fixed-term exclusions lasting six days or more was the second lowest in Wales. The rate of shorter fixed-term exclusions was slightly below the Wales average.
- 26 The Council has successfully pursued a policy of reducing the number of pupils for whom it maintains a statement of special education needs. The number of statements maintained has fallen year-on-year from 551 in January 2007 to 372 in 2013. This reduced demand for statements helps to ensure that specialist resources such as educational psychologists are able to make better use of their expertise and has also enabled the Council to ensure that those pupils who need statements receive one in a timely manner.
- 27 The modernisation of the Council's schools estate continues. Since 2009, a series of area reviews has resulted in a reduction in the number of primary schools that the Council maintains from 53 to 47. In addition, school buildings have been refurbished and, where necessary, extended. A survey of school buildings in 2009-10 concluded that just over one third of the Council's school buildings were in need of significant maintenance. Remedial work has been undertaken at some of the schools in this category and other schools feature among the Council's future modernisation plans. However, there remain at least eight schools where the quality of the facilities remains a significant issue.
- 28 The Council is responsible for ensuring an adequate supply of school places in an efficient manner. In January 2013, there were some 1,500 surplus primary school places (16.6 per cent of the total) distributed across the 47 schools. Though higher than Welsh Government target of 10 per cent, this is slightly below the Wales average of 17.6 per cent. Across the eight secondary schools, there were 1,244 surplus places, representing 16.2 per cent of the total. This is also below the Wales average of 18.7 per cent.

- 29 Net budgeted expenditure on education for 2013-14 was, at £5,135 per pupil, a little higher than the Wales average of £4,992 per pupil. The gross cost of primary school provision, taking account of both delegated and non-delegated funding, but excluding home-to-school transport, is slightly higher than the Wales average at £4,614 per pupil. The gross cost of secondary provision is a little lower than the Wales average at £5,081 per pupil.
- 30 The level of financial reserves held by schools in Denbighshire increased significantly during 2012-13 to £2.9 million. At £190 per pupil, this represents the fourth highest level of reserves amongst councils in Wales. However, the summary position masks significant variations between schools. More than a quarter of schools carried forward surpluses in excess of 10 per cent of their budgets into the 2013-14 financial year, but a further 19 per cent of schools began the year with deficits. In a small number of cases, longstanding deficits have begun to increase again after a period of gradual reduction.

The condition of most roads in Denbighshire has improved

- 31 The Council has set itself ambitious targets to judge whether the quality of its roads is improving. Its new ambition is that, by 2017, less than five per cent of A and B roads and less than 10 per cent of C roads will be in overall poor condition. The Council made progress in 2012-13 against the majority of its targets for improving the condition of roads. Indicators for the condition of A and B roads improved but there has been little progress with C roads and 13.9 per cent remain in a poor condition.
- 32 As we reported in our last Annual Improvement Report one of the reasons for keeping roads in good condition is to improve safety. Road safety is now being actively monitored by the Council through measures for skid resistance, accidents per kilometre, take-up of cycle and safety training, and insurance claims. In 2012-13, all these indicators met the Council's targets and new performance measures will be reported in 2014 for the percentage of road defects repaired within target times and the percentage of key routes where a drop-kerb route is in place.
- 33 In 2012-13, £3.4 million was identified for major highways works as the condition of roads is a priority for the Council. However, the Council noted in its Annual Report that this is a priority area for improvement, as only 86 per cent of the planned capital highways maintenance programme was achieved in 2012-13.

The Council continues to improve the wellbeing of its most vulnerable citizens

- 34 CSSIW concluded in its review and evaluation of the provision of social care services in 2012-13 that, overall, the Council continues to improve the wellbeing of its most vulnerable citizens. The report describes positive changes across both adult and children's services.
- 35 CSSIW found that the Council's emphasis on early intervention, prevention and reablement continues to enable more people to lead independent lives. As a result, fewer adults require hospital admission or residential care and the Council is able to offer a more cohesive service to families as their needs alter. More people are able to access continuing support in their own communities and the Council is placing increased emphasis on personal choice and control through the active promotion of direct payments and citizen-directed support.
- 36 The Council engages actively with people who use its services and CSSIW notes that there is evidence that users' views have been incorporated into service developments and improvements. Denbighshire provides good information, advice and guidance on its services, but further work is needed to help users understand the changed emphasis in adult services towards prevention and enablement.
- 37 In 2011-12, fewer adults than in previous years had their care plans reviewed and this was highlighted by CSSIW as an area for improvement. CSSIW's 2012-13 report confirms that the timeliness of reviews has improved; the Council's performance in this area is now amongst the best in Wales and this will support the Council in ensuring that people have the right service to meet their needs. However, the Council needs to establish clear measureable outcomes to assist with the evaluation of existing services.
- 38 The timeliness of assessments within children's services has also improved. This has led to improved access to services and better case management. Services for looked-after children continue to be an area for concern, however; the proportion of looked-after children in Denbighshire who receive health assessments and dental checks is amongst the lowest in Wales; the percentage with three or more placements has doubled over the last three years; and, fewer looked-after children than before have a plan for permanence in place within the required timescale. CSSIW reports that work is required to improve stability for these children and ensure that their healthcare and education needs are being met.
- 39 Further work is required to improve the provision of support to carers in Denbighshire. CSSIW reports that the Council has strategies in place to improve services and it is working with third-sector agencies and carers' groups in North Wales to provide better support.

- 40 The Council is committed to collaborative working and has been effective in leading and supporting a number of multi-agency initiatives. Partnership working has enabled the development and delivery of restructured services and this has led to improved quality of care in the county. The CSSIW notes that relationships with partner agencies are good at both individual and organisational levels, despite some challenges in engaging effectively at a strategic level with the new structures within the local health board.
- 41 A major focus of the UK Government's plans for welfare reform are changes to Housing Benefit, which aim to reduce annual expenditure by around £2.3 billion. These include reductions to Local Housing Allowance rates for private-rented-sector claimants and deductions in payments to social-sector tenants in under-occupied homes. Since April 2013, the Government has also introduced a cap on the total amount of benefit that working age people can receive. All of these changes will mean that millions of households in Great Britain will receive less in benefits, creating hard choices for them about how they use their money and manage on a day-to-day basis.
- 42 The Council and its partners delivered a suite of inter-related projects designed to tackle poverty and improve the quality of life for residents from the more deprived areas of the county. For example, families were provided with better access to health visitors, childcare and parenting programmes to better prepare children starting school. The Council also collaborated with partners to improve local access to welfare, housing and employment advice and guidance as a way of helping vulnerable people to secure the support they are entitled to. Work also continued on the West Rhyl Housing Improvement project and the Denbighshire Empty Homes Project, although the Council has had limited success so far in this area.
- 43 The average time taken by the Council to process new benefit claims is improving, falling from 15 days in 2011-12 to 12 days in 2012-13. This remains significantly better than the Welsh average of 20 days. The average time taken to process changes of circumstances remains the same as in 2011-12 at five days. This is marginally better than the Welsh average of six days.
- 44 Whilst speed of processing is important there are a number of other measures which help to give a full picture of how well the Council is processing housing benefit applications. Analysis of these measures, such as the percentage of new claims decided within 14 days for 2012-13, found that performance declined but, following action by management, these indicators have improved during 2013-14.

The Council has worked effectively to keep Denbighshire's environment attractive but further work is required to reduce incidents of fly-tipping and improve resident satisfaction

- 45 The Council uses a range of local indicators to judge success in raising awareness about issues such as litter and dog fouling as part of its work to achieve clean and tidy streets in Denbighshire. The 'Cleanliness Index', which measures overall cleanliness of highways and land within the county, is one of the best recorded in Wales. However, recorded incidents of fly-tipping were higher than the average for other councils in Wales, and the Council has identified this as an area for improvement.
- 46 The Council conducted a resident survey in 2013 which indicated a high degree of resident dissatisfaction (51 per cent) with the incidence of dog fouling in their locality. The Council has recently launched its anti dog-fouling campaign, 'Love your Pet, Respect the Environment'. The campaign was designed to urge dog owners to be responsible but also improve the way in which residents could report problems. The Council also employed a team of environmental enforcement officers who could respond to complaints as well as track down offenders and issue fines. Targeted enforcement operations have been carried out in a number of areas including the placement of signs, letter drops, talking to dog owners, issuing waste bags, and distributing postcards with telephone numbers to report incidents. Although

the campaign has increased people's awareness of the issue of dog fouling, it is too early to judge if resident satisfaction with this issue has improved.

The Council has helped prevent many people from becoming homeless but its work to ensure access to affordable housing was less effective

- 47 The Council's Improvement Priority for housing is broader than improving the quality of Council-owned stock. The Council also wants to work with partners to ensure an adequate supply of affordable homes, and support people who are or are about to become homeless.
- 48 In Denbighshire, there has been a similar trend to that elsewhere in Wales with a decreasing number of households accepted as homeless. However, the Council's Homeless Service has experienced an increase in the number of people seeking assistance since 2012. The Council's performance for taking action to prevent homelessness remained excellent in 2012-13 and was the best in Wales.
- 49 In 2012-13 the number of households accepted by the Council as homeless and in priority need was one of the lowest in Wales and consequently the number of homeless households in temporary accommodation was, on average, lower than in other councils in North Wales. The average time homeless households spent in temporary accommodation in Denbighshire was also low and represented top quartile performance amongst councils in Wales.

50 The Welsh Government has encouraged more action by the eight councils in Wales, including Denbighshire County Council, which failed to achieve the Welsh Quality Housing Standard (WHQS) by the original target of 2012. The Council originally believed that it would be fully compliant by the 2012 deadline. However, only 86 per cent of Council-managed social rented homes met the WHQS in 2012. The Council currently aims to achieve full compliance by April 2014.

51 The Council reported improvements in response times for urgent and non-urgent categories of repairs during 2012-13, but the Council's failure to consistently ensure full compliance with legislation relating to the completion of annual gas safety checks in its housing stock is a matter of concern which the Council is now taking steps to address.

52 The Council is taking action to try to ensure a sufficient supply of affordable homes and recognises that less than a quarter of the affordable housing estimated to be required was built in 2012-13. The 61 affordable homes completed in Denbighshire in each of the two years since 2011 was less in total than the 154 homes completed in 2010-11. The Council is taking action to try to ensure a sufficient supply of affordable homes and has set a target of 570 new homes to be completed between 2012 and 2017. However, progress during 2012-13 was below the Council's target. In addition to its own continuing work to make affordable properties available in the county, the Council is also working closely with other partners to identify a range of new initiatives

to increase the future supply of affordable housing but the current Housing Strategy does not set out clearly enough the roles and responsibilities for meeting the 2017 affordable homes target. The Council is currently conducting a review of how it will achieve its affordable homes target.

The Council has delivered some efficiencies in modernising services but there has been a lack of progress by the Human Resources service in meeting targets

53 The Council defines success in delivering efficiencies and improved services for customers primarily by measuring positive customer feedback, the delivery of Outcome Agreements with the Welsh Government and the delivery of successful Council projects. The Council also reports on its progress as measured by the Welsh Government's statutory national indicators.

54 The Council has made some progress on its improvement objective to develop and improve services. A key indicator for this objective is the number of complaints to the Council and the speed of response to them. Both indicators improved in 2012-13 but the Council's ambition is for further improvements during the lifetime of the Corporate Plan. The 2013 Residents' Survey showed that, whilst there had been progress from the 2011 survey, only 43 per cent thought the Council was efficient and well run and 49 per cent thought the Council acted on the concerns of residents (up from 40 per cent in 2011).

55 A range of improvement projects linked to this objective made good progress in 2012-13. The Council has launched an improved website, made some progress on Town and Community Charters and introduced a range of measures to improve customer service standards and the quality of customer communications. The 2013 Residents' Survey showed over 70 per cent satisfaction with customer services across a range of performance indicators although only 53 per cent felt well informed about the services the Council provides.

56 For 17 of the 30 statutory Welsh Government national indicators Denbighshire's performance was in the top quartile for councils in Wales. The Council was fully successful for seven of the 10 outcome agreements set with the Welsh Government and partially successful for the other three outcomes.

57 A key service for delivering efficiencies is the Council's Corporate Human Resources (HR) service. The service has made limited progress in meeting its key internal targets during 2012-13. This lack of progress may hinder future progress in modernising services across the Council. The staff appraisal system process, for example, has been subject to delays in implementation and the consistency of its implementation does not appear to be monitored effectively. The HR service lacks a clear and robust understanding of the cost of its service, and how these compare to other councils. Staff surveys indicate that morale amongst the Corporate HR service is low. Outcome and performance information for the Corporate HR service is not comprehensive and key performance measures for the service are not in place. However, a recent internal audit follow-up report indicated that some progress is being made in addressing key areas for improvement.

The Council's service challenge reviews and other measures to self- evaluate its performance are robust

The Council's service challenge arrangements are good

- 58 The Council's Service Challenge arrangements have improved in 2013 and provide valuable annual opportunities for senior officers and key elected members to consider in detail the evidence relating to the performance of those services managed by each head of service. Well-managed preparatory meetings, at which the service managers are not present, consider detailed evidence of performance as well as matters such as sickness absence. Importantly, the preparatory meetings allow those present to set service performance in the context of known risks, and to narrow the focus of the subsequent challenge meeting to those matters that are most relevant. Where necessary, the preparatory meetings identify areas in which there is insufficient evidence and require heads of service to submit further information ahead of the service challenge meeting a few weeks later.
- 59 The preparatory meetings and the service challenges are conducted in a business-like but non-threatening manner. They form an important strand in the Council's self-evaluation process, enabling senior managers and elected members to understand more fully how well each service is performing against targets and in the national context, and to identify what needs to be done in areas that are performing less well.

The Council's performance managements arrangements are soundly based

- 60 Our last Annual Improvement Report (May 2013) concluded that the Council's performance management arrangements were soundly based and developing satisfactorily, with clear and effective leadership by senior officers and councillors. This continues to be the case. The performance scrutiny committee and the strengthened service challenges receive performance information of consistent quality and in an easily understood format. In addition to the service challenges, the Council's Cabinet reviews performance on a six monthly basis.
- 61 Despite overall staffing numbers being reduced we found that the Council's central policy team continues to oversee, co-ordinate, and actively manage performance. This has enabled the Council to continue to deliver a well-understood and consistent system for performance management.
- 62 The results of our 2013 audit of the accuracy of a sample of the Council's performance indicators were satisfactory and we qualified none of the Council's performance indicators.

The Council has met its improvement reporting duties required under the Measure

- 63 The Auditor General's November 2013 Improvement Assessment Letter concluded that the Council had discharged its improvement reporting duties under the Measure. In particular:
- the Council had published an assessment of its performance during 2012-13 in its *Annual Performance Report 2012/13* (the Report) before 31 October 2013;
 - the Report assessed the Council's performance in the preceding financial year (2012-13) and set out how the Council had sought to discharge its duties under the Measure;
 - the Report evaluated the Council's success in achieving its improvement objectives and expresses its view clearly;
 - the Report included a short section for citizens who wanted to provide feedback or make comments on the Report;
 - the Report included details of performance and comparisons as measured by the national statutory performance indicators; and
 - the Report included a short section on the ways in which the Council had sought to collaborate.

The Council complied with financial reporting requirements

- 64 The auditor appointed by the Auditor General gave his opinion on the Council's accounts on 25 November 2013. [Appendix 3](#) gives more detail.

The Council's planning for improvement and its arrangements to support improvement are good

The use of performance standards helps to promote a consistent culture of ambition

- 65 The Auditor General's September 2013 Improvement Assessment Letter reported that the Council had discharged its improvement planning duties under the Measure. The Council published its *Year 2 Delivery Document* (the Plan), the annual review of its Corporate Plan 2012-17 (*An Excellent Council, close to the community*), in April 2013. The Plan complies with the requirements of the Measure to produce an annual Improvement Plan. The Plan is straightforward and concise, outlining what the Council wants to achieve and how it will go about it. The rationale for why Improvement Objectives (Outcomes) have been chosen is explained briefly but clearly. The Plan also explains what the Council aimed to do during 2013-14 and the measures it would use to evaluate success in achieving its objectives.
- 66 The Council consulted extensively during the development of its Corporate Plan. We agree with the Council's judgement that it was too soon to consult again about the Improvement Objectives for 2013-14. The measures the Council will use to evaluate success in achieving its objectives were therefore developed from measures in draft service plans for 2013-14 and discussions with the leadership team and elected Members.
- 67 The Council has rejected an approach to target-setting based on incremental progression of the previous year's performance in favour of an approach based on achievement of the 'excellence threshold'. Excellence thresholds are usually based on the Council's performance being amongst one of the top six performing councils in Wales. If over half the other councils in Wales are achieving better performance than in Denbighshire the Council will consider this a high priority for improvement.
- 68 The concept of the 'excellence threshold' is clearly understood by senior management and helps to instil a consistent level of ambition across the Council. However, our work on data quality suggests that some staff in individual services are less clear about the new approach to implementing corporate objectives and had difficulty in articulating how they would judge whether the people of Denbighshire would be better off at the end of the lifetime of the Corporate Plan.
- 69 The Council has clearly stated how its Improvement Objectives link to its medium-term financial plan. It has identified the resources available to support the delivery of Improvement Objectives in 2013-14, from both revenue funding and £6 million additional capital funding.

The Council continues to make good progress in addressing the proposals for improvement identified in the previous Annual Improvement Report

70 The Council has made good progress in addressing the proposals for improvement in the Auditor General's 2013 Annual Improvement Report. In particular:

- The Council has strengthened its reporting arrangements for collaboration in its *Year 2 Delivery Document* and clearly sets out the status and outcomes of its collaboration objectives. The Year 2 Delivery Document identifies progress and setbacks on collaboration projects, most notably the decision by Denbighshire and Conwy councils not to further pursue the integration of their Public Protection Services.
- In the May 2013 Annual Improvement Report, we reported that the clarity of the links in the Corporate Plan between the Improvement Objectives and accompanying measures of success, baseline data and targets for improvement was not yet consistent across all seven Improvement Objectives. This remains the case in the *Year 2 Delivery Document*. However, the Council has made some progress in assessing whether anyone is better off as a result of its work. It has issued technical guidance to staff which defines indicators to measure success for all the Improvement Objectives and the 'excellence threshold' that the Council is aiming to achieve during the lifetime of the Corporate Plan.

71 As part of its own cycle of improvement, the Council has implemented all our proposals from our themed reviews of Technology, Information Management and Public Engagement.

Corporate arrangements are in place to ensure compliance with the Council's Welsh Language Scheme

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

73 The Commissioner works with all local authorities in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of local authorities to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every local authority is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

74 The Council has taken steps to assess its provision in Welsh by means of a Mystery Shopper exercise. In order to derive maximum value from the process, the Council must take steps to improve and implement the Action Plan. The Council has been proactive in developing the number of staff who can provide a basic service through the medium of Welsh by introducing a mentoring scheme and working in partnership with local colleges. As opportunities to plan the workforce through recruitment are currently limited, the Council will need to invest more in Welsh language training and plan it effectively. The Council has undertaken to report on complaints on a quarterly basis and the new complaints officers provide a quarterly report to the language officer on complaints involving the Welsh language.

The Council has complied with its duties under the Equality Act 2010

75 The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 (the Act) sets out specific requirements for local authorities in Wales. The Act required councils to develop and publish Equality Objectives and a Strategic Equality Plan by 2012. There is significant alignment between the requirement to produce Equality Objectives and the 'Fairness' element that authorities must consider in setting Improvement Objectives under the Measure.

76 The Council's Improvement Objectives include an equality impact assessment, which includes information about the Council's equality work, particularly in relation to research, and reports on topics relating to protected groups and the Council's future plans for engagement with these groups. We believe the Council has met the requirements of the Act in setting its Improvement Objectives.

77 The Act requires local authorities to publish an Annual Equality report outlining progress on their strategic equality plans. The Denbighshire report was published before the statutory deadline of March 2013 and we believe that it met the requirements of the Act in reporting progress. It is the Council's intention that the next Corporate Plan in 2017 will incorporate the Strategic Equality Plan as part of the Council's commitment to addressing equality issues throughout its services.

The Council has improved its processes for developing its Annual Governance Statement and is taking further action

78 My September 2013 Improvement Assessment Letter reported that the Council had been open to learning, as demonstrated by the improvements it had made to its arrangements for drafting its Annual Governance Statement for 2012-13. The Council had established a Governance Group to produce an action plan to bring together all of the key internal and external recommendations to support the completion of the Annual Governance Statement and was continuing to explore ways of making further improvements.

79 However the Council, through the work of the Governance Group, recognises it needs to take additional steps to obtain senior officers' and members' perspectives on the effectiveness of its governance arrangements. The current 2012-13 Annual Governance Statement makes very limited reference to governance controls in relation to commissioning, and the Council undertakes limited assurance work to assess the effectiveness of these controls. The Council recognises the need to strengthen arrangements for developing its Annual Governance Statement and is also taking action to improve partnership controls.

The Council continues to manage its financial position effectively

80 The Council has clearly stated what its Improvement Objectives aim to achieve and has included broad details, linked to its Medium Term Financial Plan, on the resources available, both revenue and capital, to support their delivery. However, the Council now faces a significant future challenge following fundamental changes in the financial climate. Despite a very challenging grant settlement from the Welsh Government, the Council has set a balanced budget for 2014-15 which includes a 3.5 per cent increase in council tax and savings of £8.5 million. For the period 2015-18 further savings will be required. The Council recognises that it needs to keep all its options open and has begun to identify a range of possible measures which will then be subject to consultation during 2014.

81 The Chancellor of the Exchequer announced the 2010 spending review to Parliament on 20 October 2010. This formed a central part of the coalition government's response to reducing the national deficit, with the intention of bringing public finances into balance. The Chancellor's policies represent the largest reduction in public spending since the 1920s and come at a time when demographic changes and recession-based economic pressures are increasing demand for some services. To effectively plan their finances, authorities should analyse details of financial trends, appropriate benchmarking information, possible scenarios and their likely impact over the short, medium and long term. The current financial climate and the recent tough settlement for local government mean that good financial planning is critical to sustaining financial resilience.

82 The Wales Audit Office is currently examining authorities' financial health, their approach to budgeting and delivering on required savings, to provide assurance that authorities are financially resilient. This work will consider whether authorities have robust approaches in place to manage the budget reductions that they are facing to secure a stable financial position that enable them to continue to operate for the foreseeable future. The focus of the work is on the 2014-15 financial planning period and the delivery of 2013-14 budgets. This review will be completed early in 2014-15 and we will publish the findings in our next cycle of improvement assessment work.

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

- 83 Based on the conclusions in the previous sections of this report the Auditor General for Wales believes that Denbighshire County Council is likely to meet the requirements of the Measure in making arrangements to secure continuous improvement.

Appendices

Appendix 1 Status of this report

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

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

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

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

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

Appendix 2

Useful information about Denbighshire and Denbighshire County Council

The Council

The Council spends approximately £236 million per year (2013-14 budget). This equates to about £2,500 per resident. In the same year, the Council also planned to spend £49.9 million on capital items.

The average band D council tax in 2012-13 was £1,052 per year. This increased by 2.34 per cent to £1,074 for 2013-14. Eighty-four per cent of Denbighshire's housing is in council tax bands A to D. The average band D council tax for England in 2013-14 was £370 higher than in Denbighshire at £1,444.

The Council is made up of 47 elected members who represent the community and make decisions about priorities and use of resources. The Leader is Councillor Hugh H Evans OBE. The political make-up of the Council is as follows:

- 8 Conservatives
- 13 Independent
- 8 Plaid Cymru
- 18 Labour

The Council's Chief Executive is Dr Mohammed Mehmet and his management team includes:

- Corporate Director: Modernisation and Wellbeing – Sally Ellis (retired February 2014). Nicola Stubbins is the new Director of Social Services.
- Corporate Director Economic and Community Ambition – Rebecca Maxwell
- Corporate Director: Learning and Communities – Hywyn Williams

Other information

The Assembly Members for Denbighshire are:

- Ann Jones, Vale of Clwyd, Labour Party
- Darren Millar, Clwyd West, Conservative Party
- Ken Skates, Clwyd South, Labour Party

Regional Assembly Members are:

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

The Members of Parliament for Denbighshire are:

- Chris Ruane, Vale of Clwyd, Labour
- David Jones, Clwyd West, Conservative
- Susan Elan Jones, Clwyd South, Labour

For more information see the Council's own website at www.denbighshire.gov.uk or contact the Council at County Hall, Wynnstay Road, Ruthin, LL15 1YN. Telephone: 01824 706000.

Appendix 3

Annual Audit Letter

Councillor Hugh H Evans – Leader
Mohammed Mehmet – Chief Executive
Denbighshire County Council
County Hall
Wynnstay Road
LL15 1YN

Dear Councillor Evans and Dr Mehmet

Annual Audit Letter

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

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

It is the Council's responsibility to:

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

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

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

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This Code is based on International Financial Reporting Standards. On 27 September 2013, the Appointed Auditor issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Corporate Governance Committee in my Audit of Financial Statements report on the 27 September 2013 and a more detailed report will follow in due course.

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts, as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. Overall, I am satisfied that the Council has appropriate arrangements in place. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I am currently unable to certify the completion of the audit due to objections to the accounts raised by members of the public remaining open. I am currently in the process of formally concluding on these objections which enable me to certify the closure of the 2012-13 audit.

The financial audit fee for 2012-13 is currently expected to be in line with the agreed fee set out in the Annual Audit Outline.

Yours sincerely

Derwyn Owen

Director Financial Audit
For and on behalf of the Appointed Auditor

25 November 2013

Appendix 4

Denbighshire County Council's improvement objectives and self-assessment

The Council's improvement objectives

The Council is required by the Welsh Government to make plans to improve its functions and the services it provides. Each year it must publish these plans along with specific 'improvement objectives' that set out the key things that the Council intends to do to improve. The Council must do this as soon as possible after 1 April each year.

The Council published its improvement objectives for 2013-14 in April 2013. The details are available on the Council's website at www.denbighshire.gov.uk. They are:

Key improvement objective priorities 2012-13	Key improvement objective priorities 2013-14
Developing the local economy.	Developing the local economy.
Improving performance in education and the quality of school buildings.	Improving performance in education and the quality of school buildings.
Improving our roads.	Improving our roads.
Vulnerable people are protected and able to live as independently as possible.	Vulnerable people are protected and able to live as independently as possible.
Clean and tidy streets.	Clean and tidy streets.
Ensuring access to good quality housing.	Ensuring access to good quality housing.
Modernising the council to deliver efficiencies and improve services for our customers.	Modernising the council to deliver efficiencies and improve services for our customers.

The Council's self-assessment of performance

The Council's self-assessment of its performance during 2012-13 can be found at www.denbighshire.gov.uk.

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