



Commission on Public Service Governance and Delivery

This briefing provides a summary of the report of the Commission on Public Service Governance and Delivery. This report applies in Wales only.

Key issues

- The report identifies the challenges facing public servants in Wales and proposes 62 wide-ranging recommendations
- Includes a proposed merger of local authorities into 10, 11 or 12 in total, rather than the current 22
- The report recommends that Welsh Government, local authorities and key stakeholders must agree the programme arrangements for mergers by Easter 2014.

1. Introduction

In April 2013, the First Minister for Wales established the Commission on Public Service Governance and Delivery to examine all aspects of governance and delivery in the devolved public sector in Wales. The Commission reported on its findings on 20 January 2014.

The Report sets out the challenges facing public servants in Wales including:

- a) Austerity – public spending will decline in real terms for most of the next decade
- b) Demographic change – the population of Wales is getting older over time and older people typically need more and more costly public services
- c) Public expectations – public demand for public services is increasing and expectations of service quality are rising.

The report then looks at 5 themes, including (1) complexity; (2) scale and capability; (3) governance, scrutiny and delivery; (4) leadership, culture and values; and (5) performance and performance management. Finally, the report provides an overall diagnosis and recommendations. This briefing provides a summary of the report. A copy of the full report is available to download by clicking [here](#) and a copy of the summary report is available by clicking [here](#).

2. Summary of the Report

2.1 Complexity

This section argues that the public sector is too complex in terms of the relationship between organisations, the boundaries between organisations and the allocation of functions and responsibilities between organisations. This seriously hampers effective delivery and engagement. In the short term, far too much time is spent negotiating and managing reporting relationships, conflicting demands, boundary issues, functional overlaps and extensive partnership arrangements. In the longer term, this inhibits radical thinking and creativity. Citizens find their rights and entitlements are often unclear and the business and third sector find working with the public sector frustrating and inefficient. Some of the sources of complexity and solutions to them are outlined in the report:

- Relationships between public organisations must be streamlined significantly, including formal reporting/accountability relationships such as audit, inspection and regulation.
- Boundaries between public organisations must be better aligned.
- Overlaps between public organisations' functions and services must be clarified or removed e.g. duplication.
- Refocus organisations e.g. merging the three National Park Authorities (*so that there is national-level synergy and leadership over issues relating to conservation of and access to the Parks*) while retaining the separate identities of each of the Parks and local accountability for decisions about them.
- Transferring functions between organisations; the report does not support proposals to transfer responsibility for adult social services from local government to the NHS but instead calls for urgent and sustained action by local authorities and local health boards to collaborate.
- Maximising synergies including merging Powys County Council and Powys Teaching Health Board and for greater co-operation between fire and ambulance services.
- Collaboration and partnership working needs to be more streamlined, strategic and more effective – the report sets out criteria which they believe all partnerships should meet.
- Progress in collaborating over shared services must be much faster and broader – recommendation that 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.
- The Welsh Government must drive and sustain collaboration more selectively and effectively.

2.2 Scale and capability

This chapter mainly relates to local government and the view that some organisations are hampered in their ability to meet current and future challenges because of their small scale in relation to their responsibilities. The report argues that small organisations face significantly greater risks including issues with capacity which limits the organisations scope to respond to new or changing pressures and demands; issues around leadership and expertise, such as having fewer senior people in an organisation magnifies the risks around any of them leaving; they have excessive costs and overheads; demographic changes will affect smaller areas disproportionately; and they believe that smaller organisations tend to be less flexible, innovative and resilient due to limited capacity and higher costs.

The report dismisses more extensive and permanent collaboration between authorities as it argues that collaboration has added significantly to complexity and weakened overall governance for little obvious gain. Instead, the report concludes that the 22 local authorities must be merged into larger units instead; mergers, the report argues, would be much quicker and easier to prepare for and implement than redrawing boundaries.

The principles of the merger include the need to mitigate risks of small scale while not compromising local democratic responsiveness and the need to be consistent with the needs and characteristics of the local area. 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. It should also be consistent with eligibility for EU convergence funding.

The report states 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
- Monmouthshire and Newport

This would yield 12 authorities, but the report also contains options of reducing down to 11 or 10 local authorities by:

- Merging Swansea with Neath Port Talbot and Bridgend and/or
- Merging Carmarthenshire with Ceredigion and Pembrokeshire

The report states that the whole programme of mergers can and should be complete by 2017-18. The 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. Implementation must include full engagement with the public service workforce and the retention of staff, particularly in specialist roles should be a key consideration to ensure that the risk of lack of capacity and expertise is mitigated.

The report predicts that the costs of the merger could be recouped from the recurring savings in between 18 and 30 months. The report also states that community and neighbourhood-level representation should be strengthened as part of these reforms, including re-organising town and community councils and supporting programmes of formal and structural neighbourhood management.

2.3 Governance, scrutiny and delivery

The report argues that key systems, processes and people aspects of governance and scrutiny are not operating effectively enough to support and drive improvement or change delivery. This includes a culture of defensiveness in responding to scrutiny, audit, inspection and regulation, and citizens not being strongly engaged in scrutiny or in defining and designing delivery. The report proposes the following:

- High standards of governance must be continuously embedded and national partnerships need to be made more effective

- Public engagement is an essential element of good governance – local scrutiny needs local involvement
- Scrutiny must be given stature, status and support – the importance of scrutiny in driving improvement was not recognised
- The capacity and capability of scrutiny to drive improvement must be strengthened; including training, support and access to good timely information on key performance measures for those undertaking scrutiny roles.
- Audit, inspection and regulation must support scrutiny and governance – a change of culture is needed and they recommend that audit, inspection and regulatory reports should be addressed to those involved in scrutiny, not only to the executive.
- The need for effective data and well-functioning digital and ICT services
- Public services need to be re-shaped to meet the efficiency pressures on public services; existing demand needs to be better managed and future demand more effectively reduced or prevented.

2.4 Leadership, culture and values

The report includes the following recommendations/proposals in relation to leadership, culture and values:

- Leaders at all levels will need to be open to different ways of working, including through collaboration and co-production.
- New types of leaders and managers will be required to address the challenges that are faced by public services – the report refers to the need for *system leadership* i.e. getting all of the components of the public service to work together optimally in addition to *organisational leadership* (achieving the aims of the organisation).
- 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. To achieve this the report recommends:
 - Recruiting and retaining high quality leaders – including developing a national framework for appointing senior public service officials.
 - Identifying and developing future leaders – including the need for a new public service leadership and development centre for Wales
 - Embedding a consistent set of public service values – these values should reinforce the need for organisations to learn from others including the rest of the UK and beyond and to support innovation and learning across organisational boundaries.

2.5 Performance and performance management

The report argues that even though some of the services and organisations in Wales perform well, performance overall is stagnant and there are excessive variations in performance across Wales. This is not due to a lack of effort or commitment, but instead is a direct consequence of the wider issues being highlighted in the report (problems of complexity, scale, governance and leadership) and a simple lack of capacity to meet demand. The report states:

- Performance is poor and patchy over time and relative to other countries.
- There are wide and unacceptable variations in how different organisations perform – a ‘postcode lottery’ of service provision.
- Some services have performed very well and lessons should be learned from them – an example cited in the report is waste recycling; the percentage of waste recycled in Wales has almost doubled since 2006, from 27% to 52%.

- National performance management arrangements are far too complex and do not drive improvement effectively – performance information needs to be more coherent and transparent if it is to drive improvement effectively without resorting to competition between service providers.
- The report proposes the creation of a single and coherent national performance management framework comprising of:
 - A clear and concise statement of strategic all-Wales outcomes to which all public sector organisations contribute
 - 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.
 - 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.
 - Local and organisational indicators of programme effectiveness.
- The report also stipulates that the national framework should also incorporate lessons learned from success stories.
- Identifying and applying good practice ought to be common sense and ought to arise naturally from effective benchmarking. 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.
- Organisations do not use data effectively – the report does not express a preference on the model but calls for each organisation to have a coherent and robust system for performance management.
- The Welsh Government should formulate principles and standards on performance reporting to apply across the public sector.

2.6 Diagnosis: Systemic challenges, systemic solutions

The report concludes that the only viable way to meet the challenges ahead for the public sector is by a shift of emphasis towards co-production and prevention: designing and implementing solutions which sustain long-term well-being and which prevent rather than respond to critical situations. As the problems are systemic and inter-related, they cannot be addressed by piecemeal or marginal reform; it asserts that the Welsh Government should not 'pick and choose' from the recommendations. It summarises the problems as follows:

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.

The report acknowledges that some organisations have managed to avoid its worst effects and many have done well to manage within severe financial pressures so far; but instead, the current arrangements create risks which are bound to increase as the twin pressures of austerity and demographic change continue to bite. The report argues that the basic purpose and nature of public service needs to be redefined as follows:

- 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.

2.7 Implementing the programme of change

The report states that the recommendations should be implemented as a coherent package, involving a programme of change spanning 3-5 years. It recommends that existing mechanisms should take this forward – the Partnership Council for Wales should generate and sustain political commitment and the Public Service Leadership Group should have a co-ordinating role. In addition, each project must have a senior and experienced project manager, responsible for delivering the key requirements on time and within budget. These projects include:

- Integrating health and adult social care consistently and effectively;
- Merging Powys County Council and Powys Teaching Health Board;
- Establishing a single Shared Services Organisation for the public sector;
- Restructuring local government by merging existing authorities, and enlarging community councils;
- Establishing and implementing a digital and ICT strategy for Wales;
- Establishing a new public service leadership and development centre;
- Defining and implementing a new national performance framework.

They have set out indicative deadlines for the completion of these projects. However, the report states that local authorities can do much now to align their structures and operations in advance of formal merger and they believe that those early adopters who are willing to make such a commitment should be supported and incentivised to do so.

The report recommends that Welsh Government, local authorities and key stakeholders must agree the programme arrangements for mergers by Easter 2014 at the latest.

3. APSE comment

The report has 62 wide-ranging recommendations and at this stage, these are still recommendations which require a response by the Welsh Government. Therefore, no concrete proposals have been made yet in relation to this report. However, the most significant of the recommendations is the proposed merger of local authorities. The driver for the merger appears to be the financial challenges facing the public sector together with demographic changes and rising public expectations. As a result the report concludes that the small scale of local authorities means that they are not equipped to deal with these challenges and should be merged into larger organisations.

Key considerations in any decision about changing organisational boundaries would be how effective these changes are going to be in delivering vital front-line services to the public and the impact they are going to have on the needs of the community. At a time when the public need services more than ever, are these changes going to be a distraction which we can't afford?

The question in any re-organisation will be what is the optimum size of local authorities? There are arguments for and against both small and large organisations. Before 1972, Wales had 16 councils, then there were five administrative areas with 36 district councils until 1996 and there have been 22 councils since then. The ultimate test will be in how outcomes are being met and whether it will transform public service delivery by creating local authorities who are more aligned with the boundaries of other agencies (health, police, fire and education) or whether the other problem of councils being too big to listen to residents emerges.

Following on from 'Making the connections' in 2004, 'Delivering beyond boundaries' in 2007 and the Simpson Review in 2011, there has been a significant amount of collaborative work undertaken between authorities in Wales; including informal, administrative and corporate shared services. APSE's research on '*Shared services and collaborative working in a Welsh context: applying theory to practise*' in 2012 demonstrated how the current approach to collaboration in Wales has produced a range of different arrangements with different boundaries in order to support effective delivery. One of the key questions is what will happen to existing collaborative arrangements if the re-organisation as proposed in the report is taken forward? Will current improvement programmes and collaborative work be put on hold for the next 5 years?

The report indicates a timescale of 3-5 years for the programme of change. However, given previous experiences with re-organisation, is 3-5 years realistic given that these proposals are so fundamental? The timescale for the Welsh Government, local authorities and key stakeholders to agree the programme arrangements for mergers (by Easter 2014 at the latest) is also tight considering the report contains 62 wide-ranging recommendations.

Potential re-organisation is not without its challenges in terms of the cost, the impact on jobs and the potential disruption this would cause both to the public sector workforce in delivering services and to leaders, councillors and managers in managing and implementing such a radical change. Therefore, in an era of unprecedented cuts, the Welsh Government needs to consider if these costs are affordable and if the predicted timescales for recouping the costs are realistic. Any change must be based on a full cost benefit analysis, which should include lessons learned from re-organisations in other countries, such as that which is currently underway in Northern Ireland. In addition, if the changes went ahead, there would need to be clarity on timescales, workforce implications, how the costs are going to be met and how the change is going to be implemented.

The report also recommends establishing 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. In Northern Ireland, where re-organisation is underway primarily due to financial drivers, this option of creating a single shared service was discarded in favour of collaborative work through the ICE programme (Improvement, Collaboration and Efficiency); where councils intend to work together rather than centralising this function. The ICE programme aims to identify, share and implement opportunities for improvement, collaboration and efficiency across local government, creating opportunities for councils to engage in a variety of initiatives to deliver services in new and innovative ways on a local, sub-regional and regional basis. It also builds on existing collaborative work which pre-dated the ICE programme. Therefore, it would be appropriate to look into this further before a decision is made, learning lessons from Northern Ireland.

APSE agrees with the recommendations for a shift in the focus of public services from cure to prevention which sustain long-term well-being and which prevent rather than respond to critical situations. A good example of this is the transfer of public health responsibilities from the NHS to local government in England. Local authorities are well-placed to tackle the wider determinants of public health and well-being, for example through sports and leisure, parks and green spaces, transport, housing, education and school meals and regeneration, to name a few.

The report highlights the importance of high standards of governance, scrutiny, leadership and performance management in meeting the challenges ahead. APSE agrees with the importance of identifying and applying good practice and the need for organisations to learn from others including the rest of the UK to support innovation and learning across organisational boundaries. [APSE performance networks](#) supports the recommendations on performance management; it includes a set of measures which can be used in determining overall performance, which are robust, streamlined and consistent across organisations. These can be used to help to measure progress towards local and national outcomes and are already used to identify good practice and 'success stories'. All 22 councils in Wales are members of APSE performance networks and APSE will continue to work with councils in Wales to support their performance reporting requirements.

APSE will be working with its membership over the coming months to inform the discussions and look at the implications of any resultant proposals from the Welsh Government.

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