

## Developing and Embedding Self-Assessment Approaches

**DRAFT FOR VIEWS – This is a discussion document reflecting some of the early experiences and issues from local councils and will be updated as approaches to and experiences of self-assessment evolve during 2021-22.**

The WLGA would therefore welcome any comments, suggested changes or additions at any stage during 2021-22. Updated versions will be circulated and published periodically on the WLGA website. Please send any comments to [jo.hendy@wlga.gov.uk](mailto:jo.hendy@wlga.gov.uk)

### Introduction

This advisory note provides advice to assist councils in embedding the self-assessment requirements set out in the Local Government and Elections (Wales) Act 2021 (“The Act”).

It should be read in conjunction with the Statutory Guidance on Part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021 on self-assessment (“The Statutory Guidance”) which reflect the Welsh Government’s minimum requirements for self-assessment, recognising that councils are best placed to build on this to develop the detail of their own approach.

The WLGA has also produced a separate discussion paper on ‘Perspectives and Principles’ of self-assessment, reflecting initial feedback from exploratory discussions with council Heads of Policy and Performance.

The purpose of this paper is to provide guidance which is advisory and seeks to complement the Statutory Guidance. It has been produced in response to several requests from some councils for additional advice on how to develop and embed a self-assessment approach.

**It is not prescriptive nor is it intended to be a framework for all councils to use;** several councils are satisfied their existing approaches to self-assessment will evolve to meet the requirements of the Act and Statutory Guidance.

This guidance provides advice on how to:

- Integrate self-assessment into existing performance management arrangements
- Establish a culture of challenge, self-assessment, and continuous improvement
- Meet the consultation and engagement requirements of the Act in respect of self-assessment

“Mae’r ddogfen yma ar gael yn Gymraeg. This document is available in Welsh.”



- Ensuring the assessment is corporate, organisation wide rather than as assessment of individual services
- Integrate the self-assessment report with the annual wellbeing report required under the Wellbeing of Future Generations Act 2015
- Avoid duplication with the Annual Governance Statement, required by the Accounts and Audit (Wales) Regulations 2014
- Ensure they are meeting the performance duties of the 2021 Act as well as those of the Wellbeing and Future Generations Act 2015 and the 2004 Public Audit Wales Act
- Assess the strength of their self-assessment arrangements

## 2.0 Background

The Act establishes a new legislative framework for local government elections, democracy, governance, and performance. The policy intent of the Act, which replaces the improvement duty for principal councils set out in the Local Government (Wales) Measure 2009, is (WLGA emphasis) “to provide a framework which supports councils, through an ongoing process of review, to think about their performance and effectiveness now and for the future; to encourage more inquisitive organisations willing to challenge themselves to do more, to be more innovative and more ambitious in what they do”<sup>1</sup>.

The Act requires each council in Wales to keep under review, through self-assessment, the extent to which it is meeting the ‘performance requirements’, that is the extent to which:

- It is exercising its functions<sup>2</sup> effectively
- It is using its resources economically, efficiently, and effectively
- Its governance is effective for securing the above

The Act also places a duty to publish a report setting out the conclusions of their self-assessments once in respect of every financial year. Although the report must be sent to the Auditor General for Wales, Estyn and Welsh Ministers, the process and report is primarily about self-improvement.

To be effective self-assessment needs to be rooted in day to day working and management arrangements; forming the foundation on which the whole organisation manages its business. The Statutory Guidance contains further information on the definition and principles of self-assessment.

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<sup>1</sup> Performance and Governance of Principal Councils: Statutory Guidance on Part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021, Welsh Government, March 2021, page 10

<sup>2</sup> The statutory duties and powers pertaining to principal councils in Wales, according to the Welsh Government Statutory Guidance



Each individual council is free to determine its own approach; this was a consistent message during the passage of the Act and the development of statutory guidance. In doing so, all will need to ensure that arrangements are in place that:

- are owned and led at a strategic level and are not an exercise in compliance
- develop a culture of continuous improvement and challenge
- are integrated as part of the council's corporate planning, performance, and governance processes
- enable an organisation-wide assessment rather than an assessment of individual services
- demonstrate self-awareness derived from evidence-based analysis that focuses on outcomes

Self-assessment as a concept and a practice is not new to local government in Wales. Assessing corporate, financial, governance and service performance against strategic and operational objectives and identifying improvements and risks (and their resource implications) is an integral part of effective service management and corporate strategic planning and performance management. Compliance with the CIPFA Delivering Good Governance Framework and Financial Management Code require a holistic assessment of compliance with the standards allowing for interpretation to tailor to the environment in which each Council operates.

Councils already have varying approaches to self-assessment, whether such processes are described as such, and some councils may be confident that their existing arrangements will meet the requirements of the Act. Several councils have however requested guidance and support from the Welsh Local Government Association.

### **3.0 Integrating self-assessment into existing performance management arrangements**

Effective self-assessment relies on robust formal arrangements which need to be embedded in an organisation, permeating every aspect of the organisation's culture. Self-assessment needs to be owned, politically and professionally, at the most senior levels within councils to affect a positive culture of supportive challenge to drive continuous improvement. The requirements of the Act should not require a complete overhaul of a council's corporate performance or governance arrangements. Councils should have Performance Management and Quality Assurance Frameworks (PMQAF) already in place, but these may need to be developed to reflect the expectations of the Act and statutory guidance.



Council performance and quality assurance frameworks are generally structured around the continuous cycle of plan, do, review, and use a gold thread approach vertically to align the organisation's strategic objectives to plans with partners, corporate strategies and plans, service plans and individual performance.

These frameworks may need to be strengthened to put in place formal systems and processes to enable greater engagement, constructive challenge, and evidence to be used at each point of the performance management and budget cycles. At an organisation wide level this would mean ensuring there are arrangements in place that ensure:

- Wellbeing objectives and associated desired outcomes are developed based on evidence and are developed with the involvement of stakeholders (defined in the Act<sup>3</sup>)
- Service Improvement Plans (SIPs) are informed by a self-assessment using existing intelligence (e.g. Audit reports, customer feedback, achievements), supported by aligned resource plans to councils' wellbeing objectives with appropriate quantitative and qualitative measures to enable improvement to be monitored
- Stakeholders have visibility of improvement progress and an opportunity to inform adaption of plans during the year (for example by including stakeholder views as part of the development of SIPS and sharing performance reports and project highlight reports with scrutiny and partners regularly through the year)
- The corporate plan, do, review cycle operates to a timetable that allows continuous improvement and self-assessment throughout the year, not just at year end
- Individual staff performance arrangements support continuous improvement and encourage self-assessment
- Demonstrate the extent of compliance with the CIPFA Financial Management Code, any improvement requirements and implementation.

Councils may wish to consider how they can develop an agreed self-assessment process, that is widely understood across the council, and that facilitates holistic engagement with a broad range of themes. This could be established at regular intervals, built around a council's pre-existing reporting regime.

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<sup>3</sup> As a minimum under the Act: local people; other persons carrying on a business in the council's area; the staff of the council; and recognised trade unions



#### 4.0 Developing a culture of self-assessment, constructive challenge, and continuous improvement

Councils' PMQAF arrangements should facilitate self-assessment at an individual, service, and corporate level to encourage greater inquisitiveness, innovation, and ambition throughout the organisation to drive continuous improvement. Although councils will have service level assessments as part of ongoing business and performance management, the statutory duty however considers the extent to which the council is meeting the performance requirements is a corporate, organisational assessment rather than an assessment of individual services. Councils may wish to include references to self-improvement and self-assessment within Personal Development Reviews to help embed understanding and a culture throughout the organisation.

But beyond formal arrangements, successful implementation of the Act will require councils to have a performance management culture which encompasses challenge, self-assessment, and continuous improvement. The aim should be to make performance management the responsibility of everyone in the organisation, continuous improvement an everyday part of life and to create an environment in which constructive challenge feels safe and normal.

The Statutory Guidance notes a specific role for the Governance and Audit Committee to consider the self-assessment report. Overview and scrutiny committees will play a key and ongoing role in ensuring elected member involvement, ownership and oversight of the councils' performance duties and the self-assessment process. Councils should therefore seek to ensure elected members, through overview and scrutiny committees, contribute to the process as the Guidance notes: "Scrutiny is a key part of offering constructive challenge to how a council is performing and how it organises itself in the delivery of sustainable services".

It will need the clear, visible behaviours and leadership, especially from the council's senior leadership (i.e. Cabinet and corporate management team). To make the change sustainable and improve the chances of success, councils will need to address four critical elements:

- leading by example (senior leadership constructively challenging behaviours, encouraging others to do the same and visibly embracing the self-assessment and its findings)
- communications (engagement and communications with stakeholders to explain the council's cultural vision and actions being taken to achieve it)
- skills development (training, coaching, mentoring, and looking beyond the council to help build skills in challenge, self-assessment, and continuous improvement)
- reinforcing mechanisms (support to improve self-assessment skills and change management and specific initiatives that reward evidence of the desired culture).



Councils may wish to consider including the ethos and approach of performance management within the corporate induction for elected members and officers as a way of normalising and embedding the self-assessment and continuous improvement within the culture.

## **5.0 Meeting the consultation and engagement requirements of the Act**

In reaching the conclusions of its self-assessment, councils must also take account (as a minimum) of the views of an appropriate and representative cross section of staff, local people, and businesses. They may also decide to consult partners, not least as the self-assessment should include an assessment of partnership working and collaboration. Councils will also need to capture the experience of, and impact on, children and young people, people from different protected groups and those experiencing socio-economic disadvantage.

Councils can choose to fulfil the consultation and engagement requirements by:

- incorporating them into existing consultation and engagement activity
- undertaking a standalone consultation
- building the relevant elements into the public participation strategy also required by the 2021 Act.

Using existing consultation and engagement activities to consult stakeholders on the performance requirements will help to embed a culture of self-assessment, challenge and continuous improvement in a way that undertaking a standalone exercise would not. It would also ensure the information gathered was current and could be achieved by utilising existing mechanisms such as specific service consultations, staff suggestion schemes, staff surveys, citizens panels or ongoing county conversations that invite the public to have their say anytime of year, public participation strategy, complaints and compliments and trade union forums.

Councils may wish to consider revisiting or establishing a public engagement strategy, which could be used to ensure consultation exercises yield stakeholder feedback which can be utilised within the self-assessment process. The use of consistent questions which focus on the performance requirements will aid the analysis of responses.

Broadly these should be aimed to gauge the extent to which stakeholders think the council is:

- achieving its intended outcomes,



- delivering value for money; and
- is well run.

There should also be questions that encourage stakeholders to make suggestions for future improvement.

Separate exercises may be required for any stakeholder group (e.g. businesses and partners) if these are not sufficiently captured in existing mechanisms – the key is to map out at the start of the year those who need to be consulted and ensure there is a process in place to capture their views.

Ideally the results from the consultation exercises will be used throughout the year to support continuous improvement rather than just being used to inform the annual self-assessment report. This could be achieved by ensuring the results are considered and acted upon as part of the council's performance management arrangements (e.g. included in performance reviews). The results and any action taken as a result will also need to be captured corporately to enable them to be included in the self-assessment report.

## **6.0 Ensuring self-assessment is corporate and organisation-wide**

It is important that self-assessment encapsulates lateral themes such as governance and leadership. The Well-being of Future Generations (WBFG) (Wales) Act 2015 provides the context within which councils should be exercising their functions, using their resources, and ensuring their governance is effective, with the aim of maximising their contribution to the national well-being goals.

To ensure the self-assessment is strategic, focusing on the organisation, rather than individual services, councils should focus on the extent to which the council is achieving its wellbeing objectives and intended outcomes; delivering value for money in doing so and has appropriate governance arrangements in place for this purpose.

Framing the self-assessment report using well-being objectives would enable councils to reflect at a strategic level on how all its functions (including corporate activities<sup>4</sup>) are contributing to the achievement of their wellbeing objectives, how councils are operating and what action they need to take to improve further and continue to provide effective services now and for the long-term. While councils will need to continue to manage individual service performance, using well-being objectives as the overarching framework would encourage a more holistic view of council performance, recognising that many services contribute to one or more wellbeing objective.

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<sup>4</sup> Corporate activities as defined by the WBFG Act 2015 include: corporate planning, financial planning, workforce planning (people) procurement, assets, risk management and performance management



It is likely that in their self-assessment reports, councils may include references to or examples from individual services performance to demonstrate the extent to which objectives are being effectively delivered or governed and what action has or will be taken to improve further.

## **7.0 Integrating the self-assessment report with the annual well-being report required under the Well-being of Future Generations Act 2015**

Under the Act councils are also required to publish an annual self-assessment report. Under the WBFG Act, councils are required to publish an annual report<sup>5</sup> of the progress they have made in meeting their well-being objectives for the preceding financial year. The statutory guidance suggests that councils ‘...may wish to consider opportunities to integrate its self-assessment report with reports on other duties’ guidance on the self-assessment report encourages councils to integrate the two reports<sup>6</sup>.

The statutory guidance for both Acts explains that it is for councils to determine the format of these reports and encourages their integration with councils’ corporate planning and performance management arrangements. In terms of timing, both Acts require reports to be published as soon as reasonably practicable after the financial year to which they relate and in the case of the WBFG Act by 31 March of the following year.

Using well-being objectives to frame the self-assessment would enable councils to integrate the reporting requirements of both the Act and the WBFG Act into a single report which would need to include:

- a. demonstrating the extent to which well-being objectives are contributing to the achievement of the well-being goals
- b. councils are taking all reasonable steps to meet their well-being objectives
- c. the extent to which well-being objectives are consistent with the sustainable development principle<sup>7</sup>
- d. conclusions as to the extent to which the performance requirements were met during that financial year
- e. any actions to be taken, or that have already been taken, to increase the extent to which performance requirements will be met<sup>8</sup>

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<sup>5</sup> Well-being of Future Generations Act 2015, s.13(1) and Sch.1

<sup>6</sup> Performance and governance of principal councils, Statutory guidance on Part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021, paragraph 2.32

<sup>7</sup> a,b & c must be included to meet requirements of the WBFG (Wales) Act 2015

<sup>8</sup> d & e must be included to meet the requirements of the LGE (Wales) Act 2021



## 8.0 Avoiding duplication with the Annual Governance Statement

The third performance requirement which councils must assess is the extent to which their governance arrangements are effective in supporting the achievement of their well-being objectives and value for money. Councils are also required annually to review their governance arrangements and produce an Annual Governance Statement (AGS) on internal control to accompany their annual financial statements<sup>9</sup>. The AGS requires, inter alia, an assessment of the effectiveness of the organisation's governance arrangements in supporting the achievement of sustainable outcomes and fulfilling each of the principles of good governance.

The international Framework: Good Governance in the Public Sector<sup>10</sup> was first developed in 2014 and is supported by Wales specific guidance<sup>11</sup>. Councils are required to prepare an AGS in accordance with the Framework and to report publicly on the extent to which they comply with their own code of governance on an annual basis. This includes how they have monitored the effectiveness of their governance arrangements in the year, and any planned changes in the coming period. The process of preparing the governance statement should itself add value to the governance and internal control framework of an organisation.

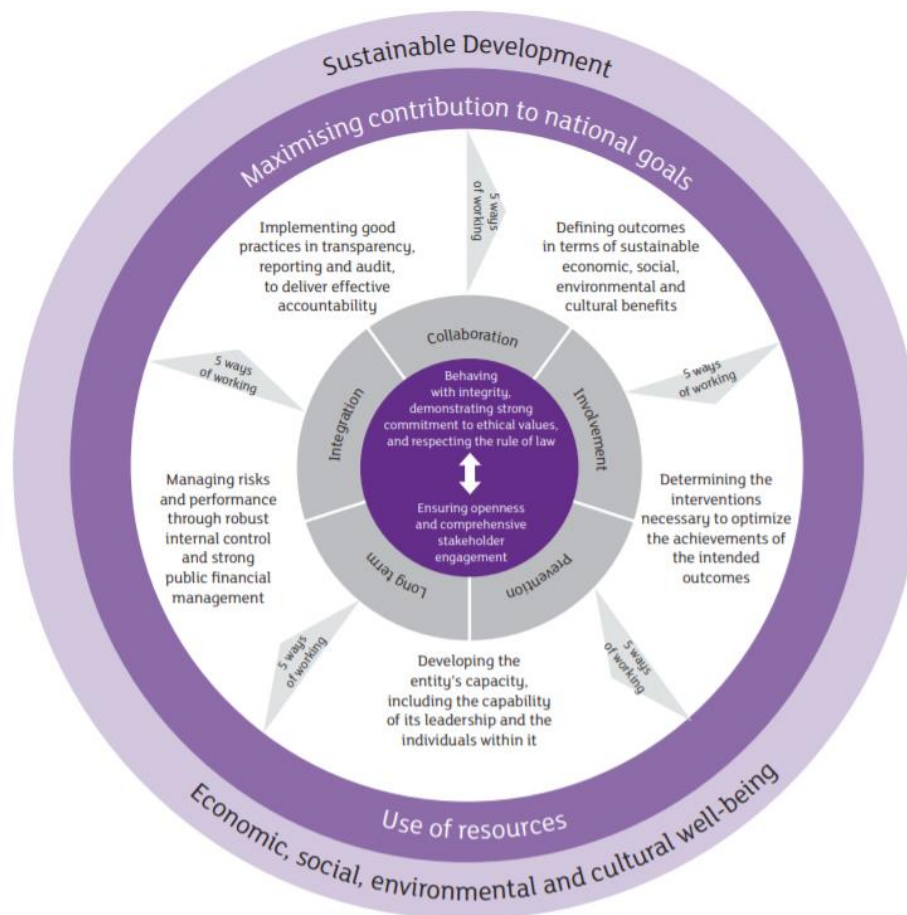
Effective governance relies on robust formal arrangements which need to be embedded in an organisation. The guidance that accompanies the framework<sup>12</sup> also emphasises that the principles must be applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone, permeating every aspect of the organisation's culture. The Framework sets out seven interrelated principles for good governance which are shown in the diagram 1, aligned to council's wellbeing and sustainability duties as set out in the WBFG (Wales) Act 2015.

### Diagram 1: International Framework and the Well-being of Future Generations (Wales) Act 2015

<sup>9</sup> Guidance on The Accounts and Audit (Wales) Regulations 2014, February 2015

<sup>10</sup> International Framework: Good Governance in the Public Sector, CIPFA & IFAC, 2014

<sup>11</sup> Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities, CIPFA/Solace, 2016 Edition



To avoid unnecessary duplication and to minimise the administrative burden of producing separate reports councils could use the AGS as the contributions to the self-assessment report in respect of performance requirement 3. In so doing they would need to ensure compliance with the latest CIPFA AGS guidance<sup>13</sup> which includes an assessment of compliance with the CIPFA Financial Management Code<sup>14</sup>. The Good Governance principles provide a useful framework to assess performance requirement 3, including an assessment of corporate activities (and the extent to which the council has applied the five ways of working to them) as identified in the (Wales) Act 2015, and as recommended in the Statutory Guidance<sup>15</sup>.

The Welsh Government recommends the AGS is published alongside the audited financial statements, the deadline for which is 31 July from 2021. Councils are also required to make

<sup>13</sup> Application of the Good Governance Framework 2020/21, Guidance, CIPFA Bulletin 06, Annex A

<sup>14</sup> CIPFA Financial Management Code, 2019

<sup>15</sup> Performance and governance of principal councils, Statutory guidance on Part 6, Chapter 1, of the Local Government and Elections (Wales) Act 2021



a draft of its self-assessment report available to Governance and Audit Committees. The committee must review the draft report and may make recommendations for changes to the conclusions or action the council intends to take. Integrating the AGS and self-assessment report would therefore require a draft to be presented to the Governance and Audit Committees in time to allow any recommendations made to be considered before publication by the end of July. Alternatively, the council could publish the AGS in line with the statutory timetable, but, if necessary, publish the self-assessment report later, incorporating or replicating the AGS at that time.

## **9.0 Ensuring councils are meeting all the requirements of the performance and governance regime for local government in Wales**

To ensure they are meeting all the requirements of the performance and governance regime councils need to have a good understanding how the different audit, inspection, regulatory and partnership arrangements interact. While the role and remit of regulators, such as Care Inspectorate Wales and Estyn is clear, there are connections in the performance duties of the Act with those of the Wellbeing and Future Generations Act 2015 and the Public Audit Wales Act 2004.

The Act removes the performance audit duties of the Auditor General for Wales which were including in the Local Government (Wales) Measure 2009 and, instead, places responsibility on councils to assess and report on the performance requirements (supplemented by a Panel Assessment once per municipal term). Despite the removal of the Auditor General's performance audit duties, Audit Wales continues to have the remit to:

- Examine whether the council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources and to make recommendations to improve value for money (as part of auditing accounts)
- Review Annual Governance Statements to confirm they are consistent with the audited financial statements and other information of which they are aware
- Assess the extent to which councils are acting in accordance with the sustainable development principle when: setting well-being objectives and taking steps to meet them (Section 15 of the WBFG (Wales) Act 2015)<sup>16</sup>
- Carry out 'Special Inspections' as provided for in the Act

The Future Generation Commissioner also has the power to conduct reviews and make recommendations in respect of:

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<sup>16</sup> The Auditor General for Wales also a duty to examine each public body at least once in a five-year period (term of Government)



- the steps the council has taken or proposes to take to meet its well-being objectives
- the extent to which the council is meeting its well-being objectives
- whether the council has set well-being objectives and taken steps to meet them in accordance with the sustainable development principle

The Welsh Local Government Association has engaged with Audit Wales and the Future Generations' Commission to clarify how they plan to use their duties and powers in the context of the provisions in the Act.

From 2021-22 onwards Audit Wales will not be undertaking formal corporate assessments, but through its wider audit duties, it will still need to seek assurance that proper arrangements are in place to secure value for money. This may include consideration of a council's readiness for implementing the self-assessment provisions of the Act, for example looking at performance data quality.

Audit Wales and the Future Generations' Commission have agreed that Audit Wales will lead reviews of the extent to which councils are meeting the sustainability duty using a rolling 5-year programme to review new well-being objective setting (and the extent to which the five ways of working have been applied) and to consider the extent to which previous objectives have been achieved.