Inverclyde Council

The Audit of Best Value and Community Planning

AUDIT SCOTLAND

Contents

Commission findings

1. The Commission accepts this report on the performance of Inverclyde Council's statutory duties to secure Best Value and to initiate and facilitate the Community Planning process. The Commission recognises that the report gives a broad picture of the Council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the Council.

2. The report describes a Council which is not in a position to deliver Best Value. The most critical report of a Best Value audit which we have received so far, it highlights extensive and fundamental weaknesses in leadership and direction by both elected members and senior management. Those weaknesses are preventing Inverclyde Council from making the progress necessary to provide Best Value. Given the extent of the problems and previous history we are not convinced that the capacity to deliver the necessary improvements exists among current senior management.

3. The report indicates that there are instances of good service performance, eg the education service. We also recognise the Council's commitment to the regeneration of its area and the significant efforts of front line staff. But the report shows that the Council will not be able to deliver for the people of Inverclyde without urgent and major remedial action.

4. There are a number of requirements which will have to be met if the Council is to move to a position where it can deliver Best Value. These include –

    • More effective leadership by senior managers and elected members
    • Greater consistency in decision making and scrutiny by elected members, based on clear evidence and performance information
    • A more effective approach to corporate strategic management by the Chief Executive and the Corporate Management Team
    • The development of a continuous improvement culture across all areas of the organisation
    • The development of a clear approach to demonstrating value for money and competitiveness, particularly in former CCT service activities
    • A focus on the good practice that exists, both inside and outside the organisation.

5.   We therefore make the following recommendations to Inverclyde Council –

   i.   The Council should immediately carry out a recovery exercise which addresses core problems in the organisation.

   ii.   The Council should undertake a fundamental review of its management and service structure arrangements based on a clear and logical analysis of customer need as well as organisational efficiency;

   iii.   The Council should undertake a review of the management capacity required to deliver on the challenges facing Inverclyde in terms of skills, knowledge and experience.

   iv.   The Council should undertake a performance review of all services, focusing on the identification of customer needs and the establishment of a clear performance baseline for all services from which targets can be set and against which future performance can be measured.

   v.   Action should be taken by members and senior managers to develop an effective working relationship that supports the needs of the organisation and the delivery of Best Value services to the people of Inverclyde.

   vi.   The Council should secure appropriate external assistance, both on a consultancy basis and at a governance level from elected member and chief executive peers, during this recovery exercise.

6.   The Commission will continue to monitor the situation and requires a further report by the Controller of Audit on immediate steps taken by the Council as at 31 October 2005. We will give consideration at that point to any further measures which need to be taken.

The Audit of Best Value

The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning.

The scope of Best Value and Community Planning is very broad but in general terms a successful council will:

- work with its partners to identify a clear set of priorities that respond to the needs of the community in both the short and the longer term
- be organised to deliver those priorities
- meet and clearly demonstrate that it is meeting the community's needs
- operate in a way that drives continuous improvement in all its activities.

The challenge for local government is to find new ways of working across services and with other bodies to achieve the best results for citizens and service users. The key objectives of this audit were to:

- assess the extent to which Inverclyde Council is meeting its duties under the Local Government in Scotland Act 2003 and
- agree planned improvements with the Council to be reviewed by the Council's local external auditor over the next three years.

As Best Value and Community Planning encompass all the activities of a council it is not realistic to audit everything in depth, so we plan our detailed work in two ways.

Where possible, we draw on the findings of other scrutiny processes, such as the work carried out by the Council's external auditors and by inspectorates. These are incorporated into our report.

We select certain aspects of the Council's performance for detailed audit investigation. A wide range of sources, including the Council's own assessment of its performance, reports issued by external audit and inspections and national Statutory Performance Indicators, informs this selection.

The report reflects this selective approach, with detailed commentary on some areas and limited or no coverage in others. While we have made some comparisons with other councils, our overall approach has focused on performance trends and improvement within Inverclyde Council. The report also reflects the picture available at the time our main audit work was conducted between December 2004 and February 2005.

We gratefully acknowledge the co-operation and assistance provided to the Audit Team by Councillor Alan Blair, Leader of the Council; Robert Cleary, Chief Executive; Brian Purdie, Head of Performance Management and Policy Development and all other elected members and staff involved.

Overall conclusions

While there are a number of instances of good service performance in Inverclyde Council, the building blocks for Best Value are undeveloped and the clear picture emerges of an organisation that will not progress until significant remedial action takes place. Improved leadership and direction are essential and the council's elected members and senior managers need to work together more effectively. Only then will the general pattern of poor performance be addressed and the efforts being made by front line staff be rewarded through improved services for local people.

1. The social and economic features of the Inverclyde area create many challenges. In such circumstances, it is vital that a committed, efficient and effective local authority is able to tackle local issues, deliver high quality services and respond to the needs of the local community.

2. Inverclyde Council is aware of the extent of the work that needs to be done to regenerate its area, but the manner in which it currently does business falls some way short of the standard necessary to make an effective impact. It needs to make significant improvements before it will achieve the objectives that the elected members and staff have for their community.

3. It is clear that the members, the corporate management team and the employees of the council are committed to the area and the services that they deliver. Everyone involved wants Inverclyde to prosper and there is no shortage of energy or effort. There is widespread consensus that the area needs big solutions to big problems and that the future lies in transformation, built around a regenerated waterfront on which the Inverclyde community has always centred. "Flagship" projects have been established for school buildings and public sector housing stock, and there is a strong commitment to environmental improvement.

4. The council has a vision for the area – "A Strategy for Change". It has led the Community Planning process and engaged with its key partners and the wider community. Plans and structures have been put in place, although benefits are limited in service delivery. The council's Corporate Strategy links to the Community Plan themes, but measurable objectives and targets must be developed to ensure impact.

5. Overall the evidence points to a council that has lacked effective leadership and direction since local government reorganisation in 1996. Elected members and senior officers in Inverclyde do not work well together. Relations between members and the council management team are not good and this

results in mutual frustration and hinders progress. The management arrangements connecting the corporate centre, the council management team and senior managers working on service delivery are generally not effective. There is a need for a fundamental change in behaviour, and the development of a culture of continuous improvement.

6. There are few examples of modern approaches to service delivery. There is some innovation, but this is overshadowed by a number of areas in which the council is far behind the general developments taking place across Scottish local government. Where proposals for significant strategic shifts have emerged over the years, such as improving school buildings or housing stock transfer, these have been weak on political commitment and their development has been protracted.

7. Many of the building blocks needed to deliver Best Value require significant development. Major work is needed to improve corporate planning, performance management and reporting, and resource management. While structures for scrutiny of performance by elected members are in place, these arrangements are not supported by systematic performance information which limits their effectiveness.

8. Weaknesses in basic governance and management control systems contribute to a pattern of poor service performance and limited improvement.

    - *The council's annual financial statements for each of the five years between 1996/97 and 2000/01 were heavily qualified. The council has been the subject of four Statutory Reports issued by the Controller of Audit during 2000 and 2001. The financial statements for 2001/02 were qualified on one matter.*

    - *The performance of some services, including Housing and Information Technology, has been consistently poor over a period of time and effective action to address this has not been forthcoming.*

    - *Service activities that were previously subject to Compulsory Competitive Tendering (CCT) do not have effective performance management systems in place. They have not been reviewed or subjected to market testing for several years - in one case since 1988.*

9. Progress has been made in some areas. Considerable efforts on financial management and internal audit have improved these activities. The council has placed significant importance on education, recognising that its future generations need the best possible start, and results in this area are generally very good. Social work services also operate well in delivering vital services to a very vulnerable community.

10. Good practice however, tends to be isolated within services rather than contributing to the wider council agenda. The problems facing Inverclyde can only be addressed if barriers to effective

corporate working are resolved.

11. There is acceptance by members and senior managers that things need to improve. The council has identified a number of priority areas where improvements are required in order to deliver efficient and effective services to the public. These focus on the building blocks that provide the foundations for Best Value – corporate planning; performance management; resource management; communications and consultation. Improvements in these areas would help to provide a more solid basis to support, maintain and improve service delivery.

12. However, it is not clear whether the council fully recognises the extent of the remedial action that is needed. The lack of consistent and effective leadership needs to be addressed as a matter of urgency, and proper officer – member relations established. Elected member and management development programmes would assist in this, as would a more fundamental review of management structures and systems. A greater focus on improving service performance is required across departments, and this needs to link with a clear understanding of efficiency and the needs of service users.

13. Although there are energetic and willing individuals, senior management morale is generally low, and elected members are frustrated. The council does not currently demonstrate the capacity to deliver on the challenging agenda that it faces and in these circumstances, an organisation can benefit from external support in addressing its problems.

14. Rather than attempt to deliver on a broad improvement agenda at this stage, the council should tackle its core management problems, including working relations between members and officers, as a first phase in recovery. Once effective management capacity and key systems have been established, the council will then be able to embark on the extensive improvement actions required.

Part 1: Does the council have clear strategic direction?

The council is aware of the significant challenges that face the Inverclyde area, and it also has a vision of what it wants to achieve. It is committed to ambitious "flagship projects" but it has not set out how it will meet the objectives in its corporate or service plans. There has been a serious lack of effective leadership and direction in Inverclyde for some time, and this is a critical barrier to the council moving forward and improving its performance.

Context

15. Inverclyde lies 20 miles west of Glasgow along the south bank of the Clyde estuary. It is one of the smallest local authority areas in Scotland, covering an area of 61 square miles. Its population of 84,000 is concentrated in the main towns of Greenock, Gourock and Port Glasgow. Inverclyde also includes the coastal settlements of Inverkip and Wemyss Bay and the rural villages of Kilmacolm and Quarriers Village.

16. Inverclyde's population has been declining for over 20 years. Population fell by 7% between 1991 and 2001 and is expected to fall by a further 11% in the period to 2016. Inverclyde is forecast to lose a greater proportion of its population than any other council in Scotland, due to net out-migration and a falling birth rate.

17. Inverclyde has been subject to a process of de-industrialisation which has shifted economic activity from shipbuilding and heavy engineering towards the service sector. Employment is more reliant on the manufacturing sector than Scotland as a whole and many jobs are in low skill areas. The economic base remains narrow and dependent on the electronics industry as a major source of employment. This results in the local economy being particularly susceptible to downturns in the industry, short-term contracts and large-scale redundancies.

18. There are particularly high levels of unemployment in Inverclyde – 5.5% compared with 3% nationally. Local unemployment rates are higher in certain areas of Greenock and Port Glasgow and these show signs of increasing, particularly in Greenock. Household incomes are lower than the national average and Inverclyde has high and increasing levels of benefit dependency.
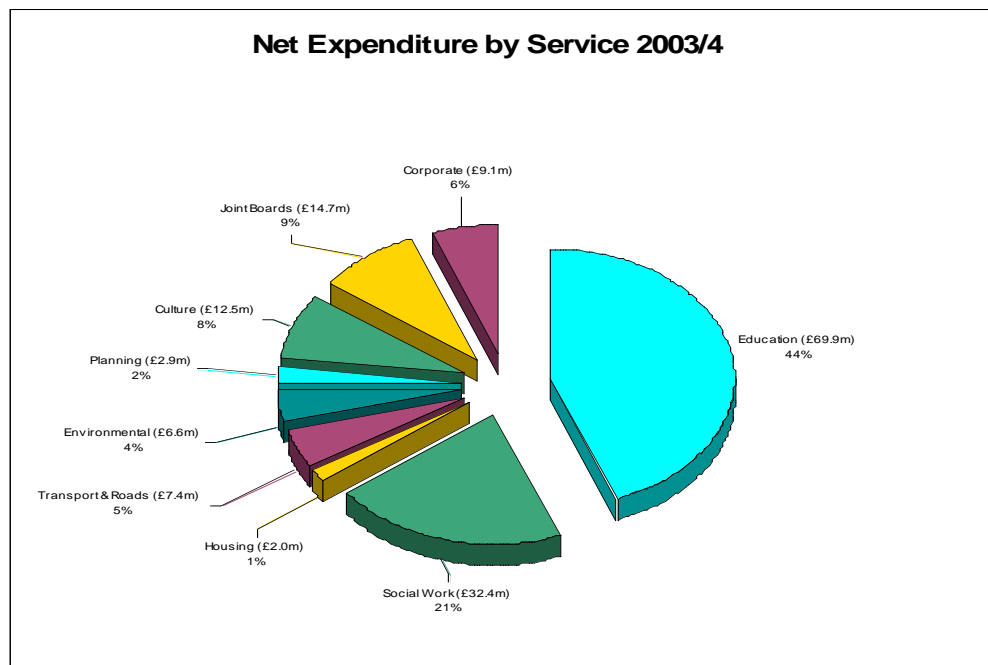
19. Inverclyde is more deprived than Scotland as a whole: 42% of the population live in areas defined as being the most deprived 20% across the country. Six wards are among the most deprived 10% of wards in Scotland. Average earnings in Inverclyde were 13% lower than those for Scotland as a whole in April 2003, the fourth lowest in Scotland. In contrast to this deprivation, there are pockets of affluence in the rural and coastal towns and villages.

20. Inverclyde has a lower life expectancy and higher death rates than the national average, with all cause mortality 16% higher than Scotland as a whole. Drug and alcohol misuse are particular problems for Inverclyde, with far higher than average hospital admissions for alcohol misuse and drugs misuse and higher than average drugs related deaths. Inverclyde has the highest rate of drug misuse amongst 15-24 year olds in Scotland.

21. Inverclyde faces a number of significant challenges:
   ▪ Depopulation
   ▪ De-industrialisation
   ▪ Unemployment, poverty and deprivation
   ▪ Poor health, drug and alcohol misuse

22. Despite its social problems, the area has great potential. In particular, it offers a very attractive location with panoramic views across the Firth of Clyde to the Argyll mountains. There is regular ferry access to the Cowal peninsular and the area is very popular with water sports enthusiasts and day visitors. Transport links, including the motorway network, are very good with the city of Glasgow, where many residents travel to work.

23. The Council is made up of 20 elected members: 13 Liberal Democrat, 6 Labour and 1 Independent. The Liberal Democrats gained control at the 2003 election.

24. The council's committee structure is based on community plan themes;

Community;	*Environment and Regeneration;*
Education and Lifelong Learning;	*Best Value and Corporate Services;*
Health and Social Care;	

The council also operates a Policy and Strategy Committee, an Audit Committee and a Standards Committee in addition to a number of sub committees and panels.

25. The net expenditure on services for 2003/04 was nearly £158 million; this puts Inverclyde in the smallest third of councils in terms of total expenditure. The breakdown of expenditure across services is shown below (Exhibit 1).

26. Inverclyde's Band D council tax for 2004/05 was second highest in Scotland at £1,143. The average rent for a council house is £57.10 per week in 200/04, the third highest in Scotland.

Exhibit 1

Distribution of General Fund net expenditure by service areas 2003/04

Net Expenditure by Service 2003/4

- Education (£69.9m) 44%
- Social Work (£32.4m) 21%
- Corporate (£9.1m) 6%
- Joint Boards (£14.7m) 9%
- Culture (£12.5m) 8%
- Planning (£2.9m) 2%
- Environmental (£6.6m) 4%
- Transport & Roads (£7.4m) 5%
- Housing (£2.0m) 1%

Source: Inverclyde Council –Summary of Accounts 2003/04

Responding to the needs of Inverclyde

27. It is important that the council and its partners have a clear and well informed view of the needs of the area in order to address them. The council has taken the leading role in developing Community Planning in the area. The community plan for Inverclyde, "A Strategy for Change" was adopted in 2003 and is a ten year plan which sets out five key themes for the council and its partners (Exhibit 2).

Exhibit 2

Inverclyde Community Plan – key themes

- ▪ Economic Regeneration
- ▪ Health and Well-being
- ▪ Improving Neighbourhoods and Community Inclusion
- ▪ Community Safety
- ▪ Education and Lifelong Learning

Source: The Community Plan for Inverclyde – A Strategy for Change, June 2003

28. The community plan identifies the key community planning partners as: Scottish Enterprise Renfrewshire, Communities Scotland, Strathclyde Police, NHS Argyll and Clyde, James Watt College and the community, voluntary and private sectors.

29. Until now, the work of the partnership has concentrated on development, setting up structures and building relationships between the partner organisations. A number of projects have been active in areas such as economic development, community safety and the preparation of a Regeneration Outcome Agreement which is awaiting Ministerial approval. The council is moving to increase its focus on delivery and intends to use the opportunities provided by community planning to improve services on the ground.

30. The Inverclyde Corporate Strategy 2003-07 sets out the core objectives of the council and these have clear links with the community planning themes (Exhibit 3). The council recognises that it has not yet developed the corporate strategy into a deliverable corporate plan and work is under way to develop a plan with measurable objectives, targets and milestones.

Exhibit 3

Inverclyde Council's Core Objectives

Two linked, inter-dependent objectives form the core of Inverclyde Council's Corporate Strategy:

1.   The Economic Regeneration of Inverclyde

2.   The Social Regeneration of Inverclyde

Integral to the achievement of these objectives is the improvement of the environment. High environmental standards will promote the products of the area and encourage others to visit and live here, thereby contributing to the economic and social regeneration of Inverclyde. The Council therefore places considerable priority on making Inverclyde cleaner and greener and will seek the support of the public, local businesses and relevant partners and agencies in promoting "green" policies and objectives.

Source: Inverclyde Council Corporate Strategy 2003-07

31. The council has a clear focus on the regeneration of the Inverclyde area. This is demonstrated by three major projects which the council expects will make a major contribution towards the vision of making Inverclyde an attractive place to live, work and play:

   ▪ **Riverside Inverclyde** – a major economic regeneration project involving the public and private sector, including; the council, Clydeport Limited, Communities Scotland and Scottish Enterprise Renfrewshire. This ambitious project aims to regenerate Inverclyde through improved

employment opportunities and the development of the physical environment and transport infrastructure. The ten year project of waterfront improvements involves an estimated investment of £430m and aims to complement the housing estate renewal plans.

- **Housing stock transfer** - the demand for council housing in Inverclyde has reduced significantly, leading to an increase in the number of closed houses and demolitions. The housing stock requires substantial investment to achieve the Scottish Housing Quality Standard. Against a background of £90 million debt and reducing tenancies the council expects that transferring the stock as part of the Community Ownership Programme will provide the opportunity to replace the current housing stock with fewer houses at a higher standard. These plans require the support of tenants through a ballot, which is expected to be held in spring 2006.

- **Schools estate rationalisation** - a major programme designed to raise achievement by improving the learning environment of pupils, make more effective use of resources and address the under-occupancy of schools. The plan involves the modernisation of the whole schools estate. In the primary sector this will include closing 14 primary schools, building four new schools and refurbishing others; in the secondary sector the existing provision of eight schools will be reduced to five - three new build schools and two refurbishments. The investment amounts to £150 million over ten years and uses a combination of public and private finance.

Community Engagement

32. Best Value requires a council to demonstrate responsiveness to the needs of its communities, citizens, customers, employees and other stakeholders, so that its plans, priorities and actions are informed by an understanding of those needs.

33. The council has a view of what needs to be done. It has carried out a range of surveys in areas such as community safety, education, leisure, and as part of Best Value Reviews, but it does not yet have a systematic approach to understanding the needs of local people. The council recognises that a strategy for communicating and consulting with local people, service users, employees, partners and representative groups needs to be developed, and that this should include a baseline review of customer needs and expectations.

34. The council has a Community Engagement Strategy, but it has not carried out a large scale residents' survey to help assess their needs and get views on the performance of services.

35. Some consultation takes place on particular issues, including the Community Plan, and as part of the budget process. The council also has a citizens' panel that is consulted three to four times a year on issues such as the budget and the public performance report.

36. Some services, including education, social work and housing, engage communities through surveys, forums and consultation with community groups. The council needs to capitalise on this positive activity, and put arrangements in place so that the organisation as a whole learns from the experience.

37. The council has a "*What do you think*!" feedback form that is available in council offices and other public places. Corporate monitoring of the issues raised has yet to be introduced, as has an assessment of service performance in responding to customers on their comments.

Commitment and Leadership

38. Statutory guidance on Best Value emphasises the importance of leadership. Inverclyde faces many challenges and it is therefore essential that its council has effective and committed leadership at both the political and managerial level. There has been a lack of effective corporate leadership in the council over a number of years.

- The council was the subject of statutory reports in 2000 and 2001. These reports identified problems with financial management and accounting arrangements, and the failure of certain DLOs/DSOs to make their statutory financial target. Over the years DLOs and DSOs in Inverclyde have struggled, and still do so in the case of building services and roads.

- The statutory reports also commented on the council's failure to have adequate arrangements for reconciling financial system in place. The problem was a recurring theme after local government reorganisation. Although the underlying problems have been addressed since then, late reconciliations attracted adverse comments in the local auditor's annual report for 2003/04.

- There have been major problems with the provision of ICT services for a number of years. The council has only recently approved a strategic approach for improving the service.

- The Statutory Performance Indicators show poor performance since 1998/99 on council tax collection and rent arrears. The council tax collection SPI has improved from a low base over the past three years. However, the performance on rent arrears has deteriorated considerably.

- There has been limited progress in responding to the issues raised by employees in the 2002 and 2004 opinion surveys.

- Audit reports concluded that slow progress has been made in ensuring that the council's trading accounts are managed in accordance with Best Value principles.

- Audit reports have also regularly identified the need to improve core processes such as corporate planning, service planning and budgeting. Despite this, these processes still require significant development.

39. Members, the corporate management team and the employees of the council are committed to the regeneration of Inverclyde and its success in the future, and the council has developed "flagship projects" on, housing stock transfer, school buildings and "Riverside Inverclyde". On schools for example, members and officers have driven through a rationalisation strategy that has been the subject of much challenge and local debate.

40. These developments have taken a great deal of time and energy and have, in the case of stock transfer and schools rationalisation, been affected by the changing views of different political administrations.

   ▪ In November 2002 80% of tenants surveyed on stock transfer were in favour of proceeding with further work. In January 2003 the Health Improvement Committee approved a number of recommendations including the setting up of a not for profit housing trust and seeking further funding from Communities Scotland. In October 2003 the new administration ordered a review of the stock transfer proposals and the new business case for the project is only now being developed.

   ▪ Similar delays were experienced in the council's response to the severe under-occupancy in schools. In 1997 there were 3,600 surplus primary school places and 2,800 surplus secondary school places. The 2001 HMIE report notes that the council had agreed to look at a PPP feasibility study as a way of addressing the issue. The Scottish Executive agreed a funding package in June 2002 to support the Council's PPP scheme and in November 2002 the Education and Lifelong Learning Committee considered a revised outline business case. However, it was not until June 2004 that the first phase of primary schools development started to address the problem of surplus places.

41. Although policy choices are clearly open to change and previous decisions can be reversed, the council's inability since 1996 to set a clear strategic direction and act with determination to achieve its objectives have potentially weakened both projects. During this period significant performance improvements were delayed in service areas that are critically important to Inverclyde.

42. Despite a voluntary commitment to Best Value on the part of Scottish local government since 1997, the council has not fully developed the building blocks to support the improvements required in Inverclyde. There has been limited progress in:

   ▪ training and development for elected members and senior officers

   ▪ community engagement

   ▪ improving customer focus

   ▪ strengthening planning and performance management

   ▪ developing more modern approaches to service delivery and management.

43. The corporate management of the council is not as effective as it needs to be. Although general agreement on a corporate management approach was reached in 1998, there has been repeated management restructuring and re-organisation during the last few years, and this instability has prevented effective momentum being built up. Restructuring is seen as justifying lack of progress, establishing a reactive management approach as the norm and preventing a clear sense of progress.

44. The corporate management team recognises that significant development is required to enable it to operate more corporately and in a strategic manner. It tends to respond to events rather than anticipating or initiating them. Change comes about as a reaction to problems rather than being driven by the principle of continuous improvement.

45. Some training and induction events have been delivered for elected members. The council does not have a structured member development programme. An appraisal system for the chief executive and the corporate management team also remains to be agreed.

Member Officer Relations

46. An effective relationship between elected members and officers is essential to the delivery of a council's policy objectives and good quality services. Members must set a clear direction and back this up through consistent and transparent decision-making and scrutiny of service performance. A poor working relationship between key members and senior officers in Inverclyde is hindering the improvements required in performance and the management systems that support service delivery.

47. An illustration of this poor relationship can be seen in the regular rejection of recommendations made by officers in committee reports. In the last few months members rejected officer recommendations on the level of council tax for 2005/06, the future management of the Information and Communications Technology (ICT) service, the draft Local Plan, and the sale of commercial property in Greenock town centre. The extent to which officers are unsure of the way in which members will react to, or vote on, reports is unusual.

48. A further indication of this disconnection is the recent protracted exercise of arriving at pay levels for directors and senior managers, which took over two years. The decision to carry out the review was made in June 2002. Following a number of reports being submitted, proposals were finally agreed in June 2004 with a further 6 months being required to settle the salary levels.

49. There is frustration amongst elected members about the organisation's ability to deliver improvements. This sometimes leads members to get involved at more junior management levels in departments as an alternative to established lines of communication. This in turn causes frustration for senior officers and can be seen as undermining the corporate management team.

50. The general absence of comprehensive and systematic reporting means that members cannot objectively assess service performance in all areas. The council recognises the need to rectify this. Members resort to obtaining performance information through informal means and as a result their assessment of performance is episodic and anecdotal. Members need to consider the views expressed to them through surgeries or informal discussions with residents on the street, but they also need systematic evidence to inform judgements about the performance of services and future requirements.

51. There is recognition of the need to address many of these fundamental issues. The Chief Executive has recently committed to report to the council on a Member - Officer Protocol. Members agreed in the last budget round to allocate resources to management development and external support.

Continuous Improvement

52. Members and officers are concerned that the organisation does not have the management capacity to respond to these challenges. This is not simply about funds or staffing levels. Employee numbers overall are not significantly out of line with other councils, but the skills, knowledge and experience needed to address these challenges are not readily available. All departments reported the loss of key experienced employees in recent years. There are currently 157 officers across the organisation receiving responsibility allowances for "acting up" to cover additional responsibilities on a temporary basis. This suggests that the council's structure may not reflect its needs.

53. The council has not developed a continuous improvement culture and does not make full use of the opportunity to learn from other councils. It is somewhat insular, tending to focus on internal issues rather than picking up good practice elsewhere. Similarly the council does not learn effectively from good practice within its own services. For example, other services could learn from the performance management arrangements in Education, public performance reporting by Finance, the Investors in People arrangements in Economic Development and Finance, and the roll out of staff appraisal in Social Work.

Part 2: Is the council organised to deliver better services?

Significant improvements are needed in how the council is organised and how it delivers its services. There are a number of weaknesses in basic governance and control systems. It is vital that the necessary building blocks are put in place to support continuous improvement and to deliver on the vision and the objectives the council has set for itself. At present considerable development is needed to establish the foundations on which Best Value services can be delivered.

Business planning arrangements

54. A council that secures Best Value must be able to demonstrate that it has an effective framework for planning and budgeting based on detailed and realistic plans. These should be linked to available resources and designed to achieve the authority's goals (including community planning commitments). Inverclyde Council has produced plans at both the strategic and operational level.

55. At the strategic level, the community plan commits to tracking progress through a robust system of monitoring and evaluation that will include: *baseline definitions, performance targets, a clear statement of responsibilities, regular reporting of performance and the review of targets and activities*. The plan originally adopted Social Justice Indicators as progress measures. However, there is limited evidence that these measures have been used in practice. The Partnership now intends to use the Regeneration Outcome Agreement as a means of measuring progress. It will be important to ensure that whichever measures are agreed, there is robust monitoring of performance on the Community Plan throughout its implementation. The council seconded one of its officers into the newly established role of community planning manager in December 2004 on a two year secondment.

56. The council's Corporate Strategy (2003-07) identifies community planning as a key process to support the delivery of the council's objectives. However, the council recognises that the corporate strategy needs further development, and it is in the process of establishing targets for each of the strategic objectives. There is no evidence that progress against the strategy has been monitored thus far.

57. Although the regeneration of the area is a strategic objective for the council the Local Plan remains in draft and has yet to be formally adopted.

58. At the operational level, service planning within the council is of variable quality. Plans do not always comply with corporate guidance and differ in terms of style, content, depth, and the period of time that they cover. The plans are at different stages of development and are used to different degrees across service areas. Many of the plans focus on the development agenda and lack information about core service delivery or performance improvement. Plans are not considered in detail by elected members or the corporate management team and there is no systematic monitoring of progress against the plans at the corporate level.

59. There is limited connection between service planning and budgeting, and the council recognises the need to develop these links to ensure that activities identified within service plans are fully costed and can be achieved within the resources available.

Performance management and reporting

60. Under Best Value, performance should be monitored systematically across all areas of activity. At the corporate level the consideration of performance information is limited to the Statutory Performance Indicators (SPIs), absence management and budget information. Local audit work indicates that the collection of SPI data is, in some service areas, carried out simply as a compliance exercise, and that SPIs are not used to inform the management of performance and drive improvements within services.

61. The council recognises that although some services have developed arrangements for performance management it does not currently have an effective corporate performance framework, and this means that it is difficult for elected members and the corporate management team to reach an accurate, balanced overview of how the council is performing.

62. At service level, performance management systems are at different stages of development with a well developed system existing in Education Services. The arrangements in Social Work and Environment and Regeneration Services are less well advanced and some sections of these departments have further to go than others. Where services provide performance reports to members, these tend to cover only some aspects of service delivery rather than a comprehensive picture of performance. Environment and Regeneration, Community and Corporate Services have reported to members on performance management arrangements in recent months.

63. The council recognises the shortcomings of the current arrangements and aims to establish a common framework for committee approval in May 2005.

Scrutiny and accountability

64. Elected members have an important role to play in scrutinising service performance and holding officers to account. The introduction of a comprehensive performance management framework will help to improve the quality of information available to elected members and members of the public.

65. The council has structures in place to support scrutiny, including an audit committee, a Best Value and Corporate Services Committee, and service committees with scrutiny as part of their remit. However, the process of scrutiny requires further development to make it more effective. Both members and officers expressed the view that scrutiny arrangements could be improved by the provision of further training and development opportunities for members.

66. All committee meetings are held in public and committee reports are available in local libraries. The council has recognised the need to improve the accessibility of such information and plans to make it available on the council website later this year.

67. Public performance reporting takes place through a performance report that is distributed to a range of stakeholders, including the citizens' panel, community councils and school boards. The report is made available at local libraries and supermarkets. It is not distributed to all households. It provides a fairly balanced assessment of the council's performance although it is based on the limited information generated by the performance management framework, primarily SPIs. Statutory performance information is available on the council website, but it is not particularly user friendly and would benefit from additional contextual information.

68. The council recognises that public performance reporting varies between services, is not systematic or comprehensive across the council as a whole, and needs to improve.

69. Councils are also accountable for ensuring that public money is used efficiently and effectively even where services are delivered on their behalf. The council recognises that the current arrangements to scrutinise Inverclyde Leisure, a local charitable trust which delivers services on behalf of the local authority, are not currently sufficient to demonstrate that the level and quality of services provided meet the council's objectives.

Customer contact and customer care

70. Councils are large and complex organisations that deliver a wide range of services to customers. They therefore need a clear focus on customer contact and a commitment to customer care to ensure that people can access the services that they need. The council has some way to go to establish a corporate approach to delivering joined up customer contact arrangements and dealing effectively

with customer care.

71. The council has set out the standards that customers can expect in two leaflets: "At Your Service" and "Communications with the Council". These explain that the council aims to respond to written communications in full within two weeks and that personal callers should be seen within ten minutes. The council does not, however, have the information to assess how effectively it meets these aims.

72. The council has established a Revenues and Customer Centres team and is developing a Customer Service Strategy. The service will initially focus on revenues and benefits, with a view to rolling out the range of services available through the customer centres in due course. A detailed plan for this is being developed.

73. Most customer contact currently takes place direct with service departments. The arrangements for dealing with customers vary across service areas. Where a customer has an enquiry or service request that involves a number of departments there is an over-reliance on individual officers' knowledge and contacts to deliver a joined-up service to the customer. This is not adequate and the council needs to ensure that employees on the front-line have the knowledge and information systems they need to deal with customers effectively. The quantity and quality of written material available to customers also varies considerably across services.

74. There are several separate 'out of hours' telephone services available to the Inverclyde community, including arrangements for homeless people, housing repairs, social work, care services and emergency roads repairs. This requires customers to navigate their own way rather than offering them a simple and efficient route to access the services they need.

Using resources effectively

75. Best Value requires that councils make best use of the public resources at their disposal. This involves the effective management of employees, contractual agreements, ICT and other systems, land and property and financial resources. It also requires that an appropriate balance is maintained between cost, quality and price.

Service structures

76. There is no single 'right' structure for a council. What matters is that the structure meets the needs of citizens and customers as well as the organisation itself. The structure and organisation of services within Inverclyde Council have been subject to change on many occasions since local government re-organisation in 1996. This has created few periods of stability that would allow the council to build its capacity. It also suggests a lack of clear and consistent direction. General agreement on a corporate management approach was reached in 1998 and this has seen the number of Directors reduced

considerably, but a number of structural problems remain. It is not apparent that the current structures are based on an analysis of how services might best be accessed by customers, or how the council's objectives can best be achieved.

77. The current structure contains a mix of directorates which are tightly defined (Education, Corporate Services and Social Work Services) and others containing a wide and disparate portfolio of services (Community Services and Environment and Regeneration Services). In these broader directorates, there is evidence that the wide portfolio creates a significant challenge for the Director and senior managers involved, and may contribute to some disconnection between chief officers and senior managers at an operational level.

78. A review is currently under way to coincide with the early retirement of the Director of Social Work, and proposals will shortly be presented on the future structure and number of director posts. It is important that the review delivers a structure that is focused on delivering effective services for the people of Inverclyde and achieving the council's objectives, and is not unduly influenced by organisational convenience.

79. The Chief Executive has had strategic management responsibility for social work since October 2004, although the Director's retiral was not due to take effect until the end of March 2005. The Director of Social Work was seconded to the role of lead officer formulating the council's response to the NHS Argyll and Clyde clinical strategy over this period of time. There are concerns in the department that there is a risk that services to vulnerable people could suffer while the future shape, size and position of social work within the council's management structure has remained unclear over such a protracted period.

Managing people

80. Statutory guidance on Best Value requires that employees are treated as a key strategic resource and that the authority ensures that it has the organisational capacity to implement its plans and make full use of its staff. Councils must ensure that all employees are managed effectively and efficiently and know what is expected of them, that their performance is regularly assessed and that they are supported to improve. Councils should have effective arrangements in place to recruit, train, retain, support and listen to employees.

81. Some of the component parts of a human resources strategy are in place in Inverclyde, or are in development. These include arrangements for recruitment and retention, employee training and development, and workforce planning. However, at present these elements do not form part of a comprehensive corporate human resources strategy.

82. The application of these elements varies between services, with some more effective than others. The

Social Work Service has made significant efforts to address the problems of recruitment and retention by introducing a trainee scheme and professional grade status to attract and retain employees. The Finance Service and the Economic Development Service have achieved Investors in People (IIP) accreditation; Personnel, Legal and Support, ICT and Housing Benefits are also seeking to achieve accreditation. The council then aims to roll out IIP council wide, although there is not yet a schedule with target dates in place to support this objective.

83. The council does not have a council-wide performance appraisal system in place for employees; it intends to use the roll-out of IIP to help to close this gap.

84. Most respondents to the council's 2004 employee survey felt that they were adequately informed about the training and development opportunities available to them. Training courses are organised both by the corporate centre and within services. Professional development is well established in some areas, such as education, social work and finance, and both housing and social work services have dedicated training officers. The corporate training and development programme currently concentrates on the provision of standard courses rather than being needs-led or linked systematically to performance improvement.

85. The council has introduced a Scotland Health at Work programme and has been awarded a gold level "SHAW" award.

86. Workforce planning takes place within services to varying degrees, but not at corporate level. There are recruitment problems in a number of areas, particularly in housing, and the council reports a shortage of professionals in legal, engineering and accountancy. Staff turnover is not monitored corporately and exit interviews are not routine across the organisation.

87. The sickness absence rate for white collar employees is fairly typical at 5%. The rate for teachers improved by over 15% between 2001/02 and 2003/04 from 5.5% to 3.9%; the national average is 3.8%. However, the sickness absence rate for craft and manual employees has been poor since 1999/2000 and has been getting worse, with a rate of 8.4% in 2003/04 compared with a national average of 6.3%.

88. The council carried out employee opinion surveys in 2002 and 2004. The 2004 survey results (Exhibit 4) were due to be considered by the council management team in March 2005, with a view to producing an action plan and communicating the results to employees and trade unions. A comparison of the 2002 and 2004 surveys shows that, for over half of the questions asked, employees had not experienced improvements since the last survey. In the 2004 survey an increased number of respondents reported:

- a decrease in their own morale

- a decrease in their job satisfaction

- a decrease in their satisfaction with Inverclyde Council as an employer.

This was accompanied by a decline in positive responses to questions relating to:

- communication

- a perception that the employee feels valued by the organisation; and

- workload.

Exhibit 4

Employee survey 2004 – summary of main findings

In total, 1289 questionnaires were returned, a response rate of 27%. This level of response, which is disappointing, is nonetheless more than adequate to support generalisation both to the total employee population and to key sub-groups.

- Less than half the Council workforce claims an awareness of the Council's corporate aims and objectives, and fewer understand how best to achieve these aims

- Most employees do not experience encouragement from management to improve either their own, or their team's performance

- Only one in five employees work in service areas in which the Council's Personal Performance Review Scheme has thus far been introduced. Nonetheless, most employees feel adequately informed about the training and development opportunities available to them; most claim to have had their training needs identified; and more than four in ten receive the training they need to perform effectively

- Most employees claim awareness of the Council's commitment to Best Value and most also support the Council in that effort. However, only four in ten employees, roughly the same proportion as in 2002, are able to confidently to explain how they might contribute personally to that effort

- A team briefing system remains only partially in place within the Council, and employees remain critical of many aspects of Council-wide communication

- As in 2002, employees tend to rate positively their first-line supervisors or managers.

- Dissatisfaction with working conditions and work routines was widespread

- Most employees feel equipped to deal with change within the organisation, and most describe colleagues as flexible in their approach to problem solving

- Very large majorities of employees claim to enjoy the work they do, to feel responsible for the quality of their output, and to know exactly what's expected of them on the job

- Just one in six employees, fewer than 2002, reported satisfaction with their current job. Satisfaction was most frequent among employees who reported to line managers who communicated effectively and who involved staff in decision making; who were satisfied with the recognition they received for work well done; who have access to appropriate training; and who enjoy their daily work routines

- Only a minority of employees rate their own morale as high. Fewer still rate as high the morale of fellow workers

- Employees in Housing, Economic Regeneration and Community Services are systematically over-represented among those expressing dissatisfaction with some aspect of their work experience. Employees in Education and Social Work, in contrast, are significantly more likely than others to take a positive view.

Source: Report of a Survey of Employee Opinion for Inverclyde Council: University of Edinburgh / Audit Scotland

89. At the corporate level, communications with employees take place through the council's *Link* magazine. Employees can also use *E-link*, which provides limited information including internal vacancies. The council is developing an Intranet system to improve the amount of information available to employees. At the service level, communications with employees vary across services. The council is currently developing a communications strategy.

90. The council recognises the need to introduce a comprehensive human resource strategy to address the gaps in its management of employees.

Managing finance

91. The council has experienced significant difficulties in managing its financial affairs since local government re-organisation. The council's annual financial statements for each of the five years between 1996/97 and 2000/01 were heavily qualified and this led to the issue of four statutory reports by the Controller of Audit during 2000 and 2001. For the year 2001/02 the financial statements were qualified on one matter. In addition, throughout the period since re-organisation, a number of the council's DLO/DSOs failed to achieve statutory financial objectives. The local auditors have also drawn a significant number of weaknesses to the attention of elected members in their reports:

    ▪ In 2000/01 members were advised of the absence of bank reconciliations, the absence of creditor control account reconciliations, fixed asset valuation issues, borrowing in advance of need and poor internal audit provision.

    ▪ In 2001/02 members were advised of deficiencies in fixed asset depreciation, poor arrangements for DLO/DSO invoicing, absence of NDR debtor listing, calculation of local taxation bad debt provision and loans to trusts.

    ▪ In 2002/03 members were advised of problems relating to the treatment of empty council houses, calculation of local taxation, bad debt provision, the absence of a register of council houses and fixed asset valuation issues.

    ▪ In 2003/04 members were advised of shortcomings in budgetary monitoring, deficiencies in housing management information system reconciliations, deficiencies in the stores costing system, late bank reconciliations and the absence of a register of council houses.

92. Considerable efforts have been made by finance service staff to address the difficulties caused by the legacy of poor systems and ineffective financial management practices. A new financial management system has been introduced, supported by training for over 300 employees. Progress so far demonstrates a clear appreciation of the need to modernise the council's systems and to get the financial arrangements in order. The system requires further functional development, and an assessment of training needs is required to ensure that it meets the needs of users.

93. The council has also made progress in some other areas of financial management. The internal audit function has improved considerably, moving from the lowest performance band in Scotland in 2001 to the highest in 2004.[1] In addition, the council's Summary of Accounts leaflet won a national CIPFA award and shows a commitment to public performance reporting.

94. The finance service is not viewed as a provider of support and financial expertise by some services. There are instances when finance services have been called on for help only when things have gone badly wrong, rather than to provide ongoing support, such as problems with the Works Order Management System in building services and the lack of interface between the housing management system and the financial management system.

95. Council departments need to take more ownership of their financial responsibilities and engage more positively with finance services in pursuing Best Value. Finance services in turn can help to support this ownership and engagement by promoting their services and providing additional support for internal customers.

96. Council departments need to improve the quality of financial monitoring and their reporting arrangements to elected members, as current practice does not provide the accurate information required for effective scrutiny. For example:

- the 2003/04 under-spend in Social Work Services did not become apparent until the end of the financial year

- monitoring reports presented to the community services committee during 2003/04 on the Better Neighbourhoods Services Fund (BNSF) were not of the required standard. The reports indicated a budget and projected spend of £4.7 million and did not reveal that the actual spend was £1.8 million

- budget monitoring reports put to committee on the performance of Building Services have included projected budget figures rather than actual balances.

97. The council acknowledges the need to strengthen corporate governance and risk management arrangements, document procedures and develop business continuity planning. In 2003/04, Inverclyde's *Statement on Internal Financial Control* had the largest number of disclosures in Scotland, highlighting areas that the council itself has identified as in need of improvement. The council is taking action to address these issues.

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[1] *A Job Worth Doing – Raising the standard of internal audit in Scottish Councils – A follow up report*, Audit Scotland, July 2004

98. Despite efforts by finance services to improve financial management in the council it is not clear that all services are fully committed to, or comfortable with the financial management system. Further efforts are needed across service departments to instil ownership and discipline in relation to financial management. There were, for example, significant under-spends in 2003/04 budgets in education and social work, these resulted from deficiencies in budgeting rather than exercises to generate cost savings. Budget under-spends and the ineffective use of initiative funding have contributed to a transfer of £12.5 million to balances over the last two financial years.

99. The budget process follows a traditional approach. There has been little redistribution or shifting of resources between priority policy areas. New initiatives tend to be funded from external sources.

Managing assets

100. Best Value requires that a council matches its assets (including: infrastructure, land, property, vehicles, plant, equipment, materials, information and communications technology), to its objectives in terms of suitability and sustainability, and supports this with appropriate asset management. It also requires that the council ensures that fixed assets are managed efficiently and effectively, and takes account of factors such as availability, accessibility, utilisation, cost, condition and depreciation.

101. The council's arrangements for asset management are under developed and have been so for a considerable period of time. The need to improve asset management arrangements was identified in the 2000 statutory report which focussed on the 1997/98 accounts and has been a regular feature of audit reports since then.

102. The local auditor reported to the council in 2002/03 that the council needed a register of council dwellings that was independent of the council's rent accounting system. This was not acted upon by the council. The 2005/06 Housing Revenue Account rental income budget was based on an incorrect number of council dwellings, resulting in a shortfall of £0.5 million which had to be funded from balances. The independent register would have provided a means of cross-checking figures to avoid this.

103. The council is actively engaged in major projects to develop its housing and schools stock. This is being funded through a combination of stock transfer through the community ownership programme, PPP and prudential borrowing.

104. The council recognises the need to develop and implement an asset management strategy that covers all its assets including buildings, roads, housing stock and information communications technology. However the implementation of a fully supported asset plan could be two years away.

Managing information and communications technology (ICT)

105. The effective use of ICT is vital to support effective services. The council's current ICT arrangements do not meet the needs of the council and have not done so for some time. A lack of corporate discipline and poor support for services resulted in them seeking to meet their own ICT needs. Expensive systems were implemented with little regard to wider corporate integration issues and this has generated additional work. The situation was particularly evident in the case of the housing system which was implemented without the necessary links to either the main finance system or the housing benefits system.

106. The council lags behind other local authorities in its use of ICT to support service delivery. The council has a long way to go to start delivering on the modernising government agenda, though the list of planned projects demonstrates an awareness of this.

107. Since taking over responsibility for ICT, Corporate Services have begun to address these issues. In July 2003 work started on developing a strategic ICT framework, followed by market testing and a European tendering exercise. In February 2005 the Director of Corporate Services submitted a report to the Best Value and Corporate Services Committee presenting an evaluation team's recommendations that a private sector partner be appointed to deliver ICT services. The committee rejected this recommendation and decided to retain ICT services in house, supported by a private sector partner. The approach taken to reviewing this service is also considered in the option appraisal section of this report.

Managing procurement

108. The council spent almost £19 million on goods and services in 2003/04 so it is important that the procurement arrangements are efficient and effective and that best value can be demonstrated.

109. The approved procurement strategy complies with the council's standing orders and financial regulations, and with EC procurement directives. It uses the GCAT and SCAT government catalogue frameworks to procure ICT products and specialist support services. The council's procurement team has the remit of monitoring the procurement strategy and ensuring that E-procurement is progressed. The council is a member of the ABC Consortium which seeks to purchase goods on favourable terms through the collective buying power of the local authorities involved. To ensure that the council obtains better value for money, the procurement team are also looking at other opportunities for collaborative buying. The team supports services with guidance and training on the advantages of collaborative purchasing. Inverclyde has recently established paperless requisition and development work is under way to activate the e procurement module of the financial management system.

110. These achievements are significant, but the council needs to monitor its spend on goods and services

more systematically to ensure that it achieves the benefits it seeks and that Best Value is achieved.

Service review, option appraisal and competitiveness

111. A council must demonstrate Best Value by using review and option appraisal to challenge existing methods of service delivery. It must ensure that it supports high levels of service quality and secures improvement on a continuing basis.

Service reviews

112. The Best Value and Corporate Services Committee deals with issues relating to Best Value. This includes the development and monitoring of service reviews and the review of management arrangements with a focus on continuous improvement, performance measurement and quality. The council plans to provide further training to assist councillors to fulfil their role in Best Value and to clarify the roles and responsibilities of councillors and officers.

113. In the early years of Best Value the council adopted a systematic approach to service reviews, with the initial programme focussing on operational reviews.

114. The service review schedule, last updated in April 2004, lists 98 reviews as completed with 25 outstanding, four of which have start dates of 1998/99. The schedule also identifies four strategic reviews which are listed as ongoing and which have start dates ranging between 1999 and 2001. The officer-led Best Value Review group tasked with monitoring and quality assuring the review schedule has not met for some time. These factors indicate that the review programme is not progressing effectively.

115. Although service review reports are submitted to committee, there is no systematic process for formally reviewing their outcomes. There is no corporate assessment of whether the improvement actions arising from reviews were delivered or if they have had the desired effect, though this may be done in part at the service level.

116. The level of scrutiny to which review reports were subjected is questionable. For example, in November 2002 the Best Value and Performance Review Committee was asked to consider no fewer that 12 review reports in one meeting.

117. In February 2005 the Policy and Strategy Committee agreed corporate management team recommendations for a service review programme consisting of 11 reviews: *asset management and planning, printing and photocopying, energy management, absence management, residential childcare, health and safety, vehicles and plant, trading accounts, events and activities, pre-5 services and social work services*. The committee also agreed that additional resources be made available to

support the review process and delivery of recommendations.

Option appraisal

118. Best Value requires a council to take a fair and open approach to evaluating alternative forms of service delivery. In tandem with the development of the service review methodology the council recognises the need to improve the way it conducts option appraisals.

119. There is evidence that option appraisals take place as part of service review activity and that the council considers service delivery methods beyond the in-house option. For example, residential home care was outsourced in 2003, and the council delivers leisure services through a charitable trust. Detailed option appraisal has also taken place as part of the area renewal strategy.

120. Under Best Value councils must consider all options for service delivery and make decisions on the basis of evidence and performance. This does not always happen in Inverclyde. In 2002 an independent review of the ICT service carried out by external consultants recommended that the poor performing service be market tested as a way of assessing whether Best Value was being achieved. An option appraisal exercise was carried out and in June 2004 the council took the decision that the service should be delivered through a partnership approach with a private sector ICT service provider. The Director of Corporate Services was then authorised to invite tenders on partners providing a range of options including the delivery of the whole ICT service, service management, service desk functions and account management and programme delivery.

121. In January and February 2005 senior officers presented further reports to members on the future service delivery options for the ICT service. Following the tendering exercise, the Corporate Management Team recommended that the council should appoint a private sector partner to deliver ICT services. The Chief Executive and the council's Monitoring Officer reminded the committee of their obligations under Best Value, that decisions on future service delivery should be taken on the basis of evidence and performance. The committee chose to reject the recommendations, opting to retain the service in-house and requiring that areas of concern be addressed as a matter of urgency. A one off transfer of £500,000 was allocated from reserves to support transition and transformation. The ICT annual revenue budget was also increased by £400,000 to support the staffing establishment.

122. Members subsequently accepted a recommendation in March to engage external support for the management of transition and the transformation of the service over a two year period.

123. While it is entirely appropriate that members challenge officer recommendations, Best Value requires that decisions are transparent, taken on the basis of performance analyses and are evidence based. Furthermore it is important that the same challenge is applied to all of the options under consideration,

whether these be direct service delivery or external partnerships.

Competitiveness

124. The Local Government in Scotland Act 2003 repealed Compulsory Competitive Tendering (CCT) legislation replacing it with statutory guidance that requires a council to conduct its business in a manner which demonstrates appropriate competitive practice.

125. Inverclyde Council currently operates eight DLO/DSOs and it is not clear that the working arrangements have changed significantly since the moratorium on CCT was introduced in 1995 and Best Value was introduced in 1997.

126. There are indications that the current arrangements do not demonstrate Best Value. Client services are not charged on the basis of demonstrably up to date schedules of rates or bills of quantity tested against external sources. Contracts are of a considerable age, generally dating back to before local government re-organisation and the moratorium and repeal of CCT (Exhibit 5).

Exhibit 5

Contract	Date last subject to competition
Grounds maintenance	1988
Roads	Unknown / pre 1996 reorganisation
Catering	1990
Building cleaning	1991-94
Building Maintenance	1993/94
Street Cleaning	1997
Vehicle maintenance	1997

Source: Inverclyde Council/ Audit Scotland

127. Best Value also requires councils to maintain and disclose trading accounts for significant trading operations. The 2003 Act prescribed the financial objective that each statutory trading account should break even over a rolling three year period.

128. While this consideration of trading operations does not give a comprehensive picture of the efficiency and effectiveness of all services, it does provide an indicator of how the council approaches its duty to demonstrate competitiveness.

129. The council agreed a list of eight trading activities in November 2003. Four weekly monitoring of financial performances is presented to operation managers, and quarterly performance of trading activities must be reported to service committees. The trading operations will be reviewed annually.

130. The Council operates standing lists for tenders and encourages local businesses to apply through adverts in the local press. The Council also recently hosted an ABC Roadshow aimed at providing an opportunity for local suppliers to present their businesses to councils.

131. The council has identified the need to review trading accounts as part of the new service review schedule. This should be done as a matter of urgency to ensure that the council can demonstrate competitiveness in these areas. Services use benchmarking information to varying degrees to compare services and costs, but it is not clear that this is systematic and sufficiently robust to demonstrate competitiveness.

132. Some trading accounts (Roads, Grounds, Building Maintenance) have a considerable proportion of dayworks/ time and materials based charges. These methods of recharge are generally considerably more expensive to client services.

133. There are questions on the viability of the Roads trading account, which returned a deficit for 2003/04 and has been marginal for several years now.

134. The Building Services account for 2004/05 is experiencing difficulties linked to the implementation of a new work order management system. The forecast amount of income for 2004/05 is not being met. The surplus on this trading account has been declining steadily over the past three years and local audit work has identified various anomalous entries to its account. This is being kept under review by the local audit team as this issue could potentially generate a qualification to the audit opinion on the 2004/05 accounts.

Sustainable development

135. A council delivering Best Value should consider the social, economic and environmental impacts of its activities and decisions.

136. Inverclyde recognises the importance of Sustainable Development. There is evidence of this in various plans and strategies including: the community plan and draft regeneration outcome agreement, corporate strategy, LA21 strategy, economic development strategy, home energy conservation strategy, waste strategy, the local plan and the development plan. Members and officers hold clear views on the importance of sustainable development.

137. Beyond plans and strategies, examples of sustainable development on the ground include the Riverside Inverclyde project, schools rationalisation and the Eco schools programme.

138. At department level sustainable development is implicit rather than explicit within service plans, and more work is needed to develop and monitor corporate performance measures.

Equal opportunities

139. Equal opportunities is one of the cross cutting themes of Best Value and requires councils to demonstrate a culture which encourages equality of opportunity both as an employer and as a provider of services to the public.

140. Equality is one of the eight values expressed in the council's corporate strategy, and equality issues are identified in the draft regeneration outcome agreement. The council has identified that further work is required on monitoring compliance with the council's equal opportunities policy, which itself is under review.

141. The percentage of the highest paid 5% of council employees that are women is higher than the Scottish average, while the picture for the top 2% of earners is more typical.

142. The Council's race equality action plan was revised in response to communications with the Commission for Race Equality, and the council is currently awaiting a response.

143. In preparation for the Disability Discrimination Act the council's corporate management team considered a number of reports, particularly in relation to access to its buildings. This work confirmed the need to modernise both building and service access for customers, and the council is at the early stages of a plan to create accessible customer contact centres.

144. Equalities issues are not yet mainstreamed across the council. The council as a whole can learn from the good work that is taking place in some of its own services. Education is an example, with positive comments in a 2004 HMIE Inspection Follow Up report: all schools have an equalities policy, attainment is monitored in terms of race and gender, and there are positive initiatives such as "*Girls into Science*" with links to the local electronics industry.

Joint working

145. The modernisation agenda for public services means working in partnership to ensure more efficient services focused on the needs of customers.

146. The council recognises the importance of working with other statutory agencies, the voluntary sector and the private sector to deliver services. Examples of joint working with other agencies include:

   ▪ Criminal Justice services which are delivered in partnership with Renfrewshire and East Renfrewshire councils and include joint training arrangements

   ▪ the Inverclyde Joint Care Board with the NHS to address community care planning and Community Health Partnership issues

- the Joint Delayed Discharge Commissioning Plan under the Joint Future programme to relieve instances of people being delayed inappropriately in hospital beds

- the Inverclyde Centre for Independent Living which provides a range of services to support people with physical disability and/or sensory impairment

- the joint Business Store which co-ordinates support for businesses from across the council and with other partners

- the Riverside Inverclyde project led by the council in partnership with Clydeport Ltd and Scottish Enterprise Renfrewshire and Communities Scotland

- the Education Service has established links with the local business community.

147. There are also examples of joint working between council departments, most notably between Education and Social Work.

148. Community planning provides a framework to support joint working and the council recognises the need to harness this potential more effectively and translate community planning activity into service improvements for customers.

Part 3: How do services perform?

In the absence of a well-developed performance management framework the council does not have a rounded picture of the performance of its services. The performance information that is available suggests that some services perform well, while others perform poorly. The council does not generally respond promptly or effectively to poor performance.

149. The council acknowledges that it needs to put a comprehensive and systematic corporate performance management framework in place and that public performance reporting is under developed. This means that there are limitations in auditing how well services are performing, but we have drawn information about service performance from a number of sources including statutory performance indicators, reports published by other external scrutiny bodies and the council's own assessment of how it is doing.

150. Council services are currently delivered through five main service groupings. These are:

- Community Services
  (*environmental health, consumer and trading standards, catering, leisure services, community support, grounds, cleansing, vehicle management, registration, libraries and museums*)

- Corporate Services
  (*finance, internal audit, purchasing, legal, courts, committee and members support, personnel, ICT, revenues and benefits and customer centres*)

- Education Services
  (*education and lifelong learning*)

- Environment and Regeneration Services
  (*economic development, planning and building control, property, technical, building services, cleaning, housing, transportation and roads*)

- Social Work Services
  (*social work, homelessness and supporting people*)

151. The statutory performance indicators for 2003/04 present a mixed picture of performance compared to other Scottish councils (Exhibit 6). Inverclyde has the highest number of indicators in the lower quartile, and is one of seven councils where the number in the lower quartile exceeds the number in the upper quartile. Performance between service areas varies considerably, and this is reinforced by other sources of evidence.

Exhibit 6

Number of Statutory Performance Indicators in each quartile by service area

Inverclyde	Upper quartile	Middle quartiles	Lower quartile
Adult Social Work	5	10	0
Protective services	1	6	0
Development services	3	2	1
Cultural and community services	1	5	3
Waste Management	2	1	2
Children's Services	2	3	4
Benefits Administration	1	1	2
Corporate management	1	5	4
Housing	0	4	3
Roads and lighting	0	1	2
Totals	**16**	**38**	**21**

Source: Audit Scotland

152. In 2001/02 the council had 17 indicators in the lower quartile. In 2003/04 11 of these indicators were still within 5% of their 2001/02 level. This suggests that the council has been unable to improve performance in these areas.

Education Services

153. In 2001 and 2004 Her Majesty's Inspectorate of Education (HMIE) reported that the Education Service has a clear vision, is well organised and performs well. Over time, it is increasing its overall effectiveness and its initiatives have improved pupil achievements.

154. In its 2001 Report, HMIE concluded that the service was managed very effectively. The inspection found that Education Service managers, together with senior staff in schools, were succeeding in building a culture of continuous improvement based on rigorous monitoring and evaluation. Despite an inheritance of largely difficult economic and social circumstances, improvement was evident over a wide front, encompassing academic attainment and achievement in health education, business education, sport and the arts. The report also identified a number of key strengths (Exhibit 7).

Exhibit 7

2001 HMIE Report findings

Key strengths

• The clarity and impact of vision, values and aims.

• The high quality of leadership and management of the Director of Education Services and senior officers.

• Very good communication.

• High quality planning.

• Very good knowledge of performance of the authority as a whole and individual establishments, founded on comprehensive and helpful use of performance information.

• The establishment of an ethos of achievement which was paying off in evidence of improvement over a wide front.

Source: HMIE Report 2001

155. Of the eleven Quality Indicators used by HMIE in the inspection,

- **Seven** were judged *Very Good*

    - vision, values and aims
    - measuring, monitoring & evaluating performance
    - deployment and effectiveness of centrally employed staff
    - effectiveness of leadership & management
    - mechanisms for communication
    - service planning
    - continuous improvement in performance

- **Three** indicators were judged as *Good*

    - policy development
    - mechanisms for consultation
    - financial management

- **One** indicator was judged as *Fair*

    - resource management

- **No** indicators were judged as *Unsatisfactory*.

156. In 2004 HMIE published a follow up Inspection Report (Exhibit 8).

Exhibit 8

2004 HMIE Report findings

Since the inspection report was published in September 2001 the Director and his staff had sustained a good level of improvement in attainment and achievement and had made very good progress in supporting improvement in learning and teaching in its schools. They had put in place some very effective systems to support schools and establishments in becoming more effective. The authority had been successful in developing and implementing a policy to improve educational provision for pupils with special educational needs within an inclusive setting. The Education Service had given a clear lead on Human Rights and Race Equality and had made significant investment in these areas.

The Council had put in place a number of innovative approaches to the use of ICT in educational establishments. It had made good progress in providing effective staff development that enhanced teaching approaches. However, there remained more to be done to meet the targets agreed for the installation of computers and a computer network in all schools and establishments. The lack of funding and the resultant slow progress in meeting these targets had limited the impact of ICT on pupils' learning.

Education Service Officers had demonstrated professional expertise and leadership in preparing plans for the improvement of the school estate which had the support of many key stakeholders. However, the new administration's decision to revoke the plans and the inevitable delays had resulted in an unsatisfactory situation. There remained significant weakness in the management of the school estate, in particular the need to address the issue of school rationalisation to ensure Best Value in the use of scarce resources. Alternative plans, and the funding to support them, now needed to be drawn up as a matter of urgency to ensure that all pupils in Inverclyde are able to learn in a suitable school environment.

Source: HMIE Follow Up Report 2004

157. One area where the HMIE did raise a concern was resource management. This is largely due to under occupancy in schools. In 2003/04, only 44% of primary schools and 25% of secondary schools had occupancy levels above 60%. This puts Inverclyde in the bottom quartile of SPIs compared to the other councils in Scotland.

158. The service recognises this as the biggest issue facing it and has embarked on a major programme to tackle surplus capacity and modernise schools to be fit for purpose in the 21st century. In January 2004, plans were agreed to close fourteen primary schools and to build four new schools with the remaining primary stock being refurbished. The first phase of this plan was achieved in August 2004 with five schools being closed and the refurbishment of two others. A running programme of

improvement will continue as part of the School Estate Management Plan. Proposals for the modernisation of the secondary estate, agreed in January 2005, will result in the existing eight schools being reduced to five with three new builds and two refurbishments. The council now considers that it has a fully funded plan that will result in the modernisation and rationalisation of its school buildings.

159. The service has a robust performance management framework, and the council could learn from the arrangements in place in education when developing its corporate framework. The service can show that:

- attainment levels are comparatively high, which is particularly impressive given the deprivation and other challenges facing Inverclyde

- the average number of weeks to carry out a special educational needs assessment has improved by over 15% since 2001/02 and puts the council among the top performing councils in Scotland for this SPI

- it provides a wide range of opportunities to promote achievement, including; musical activities, choirs, orchestras and bands, citizenship and enterprise, human rights, health and sport and eco schools. Some of these have brought national recognition and success for the pupils involved.

160. The service recognises that the main challenge facing it is to maintain these high standards while delivering the schools rationalisation project.

Social Work Services

161. Social Work services perform well in the face of major challenges in the area.

162. In 2003 the Social Work Services Inspectorate (SWSI) listed the services' achievements, which included:

- a consistently high rate of people receiving a community care service across all care groups

- the smooth introduction of Free Personal Care

163. The council is committed to community care and its approach is designed to reflect national and local priorities and provide flexible care arrangements. Evidence from Statutory Performance Indicators (SPIs) shows that:

- In 2003/04, the number of clients receiving personal care in their home as a percentage of clients was 67%. This is above the national average of 57.2% and ranks ninth compared to other councils

- The number of home care clients receiving care in the evenings and overnight as a percentage of clients is 30.8%, above the national average and seventh highest in Scotland

164. 100% of social enquiry reports were submitted by the social work department to the courts by the due date. Similarly, 100% of new probationers were seen by a supervising officer within one week. The average time to complete community service orders puts the service amongst the top performing departments in Scotland.

165. 76% of care staff in residential homes for children are qualified, again among the best performance in Scotland.

166. The service has received favourable comments from the SWSI on its efforts to address the problem of recruiting and retaining social workers. These initiatives have included the sponsorship of students and the introduction of a professional grade for staff who wish to progress without taking on a management role.

167. The department develops its services with a firm focus on customer needs. An Older People's Integrated Centre was developed using the views obtained from a Carer's Development Group. A users' and carers' feedback system operates throughout the service.

168. The 2003 SWSI Annual Report noted that in Inverclyde

"A new carers' centre project (Council-funded but run by the Prince's Trust and Quarriers) offers a variety of support services. There is also a responsive respite service (to give carers a break). Carers benefit from a training course which includes issues such as moving and handling people. A home care review which the Carers' Council was involved in, is being completed. A carers' assessment is part of the Single Shared Assessment."

169. On the Joint Future agenda, there has been a year on year improvement in reducing delayed discharge and the service is confident of achieving its target by April 2005.

170. The service has also had some success in joint working initiatives, including the joint project with Quarriers on a unit for young people with disabilities. This project involved amending the registration criteria of the six-bedded unit as a way of making sure that young people have continuity of care as they progress into adulthood. Exhibit 9 below illustrates the range of joint working that the service is engaged in against key cross-cutting themes.

Exhibit 9

Summary of partnership working by social work

Children's Services	Criminal Justice	Community Care	Homelessness	Supporting People
Chief Executive Social Work Services Housing Services Education Services Community & Protective Services NHS Argyll and Clyde Reporter to the Children's Panel National Children's Homes Barnados Strathclyde Police Youth Connections	Social Work Services Housing Services Renfrewshire Council Social Work Service East Renfrewshire Council Social Work Service	Social Work Services Housing Services NHS Argyll & Clyde Communities Scotland Inverclyde Community Care Forum Local Health Care Co-operative	Social Work Services Landlords Voluntary Sector NHS Argyll & Clyde Education Services Prison Service Voluntary Sector	Housing Support Providers Integrated Community Care Forum Social Work Services Housing Services Scottish Executive

Source: Inverclyde Council

171. The 2003 SWSI report also identified that action was required on a number of areas including;

- Ensure that all looked after children and young people have allocated workers, have care plans, and are receiving full-time education

- Establishment of care plans for young people looked after at home

- Improvement of performance in relation to reporting to the Children's panels

- Improving educational attainment of children and young people who are looked after.

The service is taking steps to address these issues.

172. The council's **homelessness service** was the subject of a Communities Scotland inspection report in

August 2004. The report concluded that the council delivers poor homelessness service with major areas where improvement is needed, though the prospects for improvement were seen as promising.

173. The service expects that the development of its core Application System will improve access to and use of, management and performance information to improve service delivery.

Community Services

174. The Community Services directorate is made up of a wide range of services. The department includes environmental health, consumer and trading standards, catering, leisure services, community support, grounds, cleansing, vehicle management, registration, libraries and museums. There is a common view within the department that a lack of management capacity has contributed to difficulties in concentrating effort on improving services to the public.

175. The **grounds, transport and cleansing service** is one of the many activities in the council that needs to develop its performance management system. The service plans to use its experience of being a pilot authority for the "LEAMS" audit system for street cleansing in the development of the framework, and it recognises that a systematic approach needs to be extended to the other functions delivered by the service.

176. An effective performance management system is required as a matter of urgency as the service is unable to demonstrate that it is delivering Best Value. Proposals to address this were approved in January 2005. The contracts under which the service operates have not been market tested for between 7 and 17 years.

177. Best Value requires that a balance is struck between the cost and quality of delivering services. The costs of **refuse collection and disposal** per property were amongst the lowest in Scotland compared to other councils at £44.13 and £41.90 respectively in 2003/04. However, the percentage of waste that was recycled in 2003/04, though improving, remains low at only 6%.

178. The council is developing a sustainable waste strategy in line with its corporate objectives, the Area Waste Plan and national priorities. Considerable effort is being made to ensure the success of the initial phase which introduces a multi-bin system to improve re-cycling rates. In doing so, it is learning from other councils on the implementation of this type of project. It will be important that the systems and resources available are sufficient to deal with the high number of customer enquiries generated by such changes.

179. Performance in dealing with special uplift requests fell by over 20% between 2002/03 and 2003/04. This reflects the fact that the service now operates only one day a week as a consequence of a large reduction in demand following the introduction of charges.

180. The significance of the contract dates is highlighted by the experience of the **grounds maintenance** service. Since 1998 the amount of housing stock demolition has led to a significant increase in the volume of grounds to be tended. The service has recognised this and is currently working to remedy the situation in advance of housing stock transfer.

181. The **library service** has been subject to a series of budget reductions which have affected the performance of the service. Inverclyde performs poorly compared to most Scottish councils in terms of stock turnover, with only 35.3% of the national replenishment target met for adults and 27% for children and teenagers in 2003/04. The number of borrowers as a percentage of the population is low at under 18% and is falling.

182. Despite the financial constraints there are some examples of good practice; for example, Learning Centres have been established within libraries to encourage the use of information technology. The service also reports some positive signs, with an uptake in the range of adult learning courses and taster sessions delivered in libraries, and increases in the number of enquiries answered, registered members and visitors.

183. The performance of the **registration service** has previously been poor, but it has recently undergone a major review, resulting in the appointment of a Registration Manager and renewed focus on service delivery. The council anticipates that the structures are now in place to improve performance.

184. **Inverclyde Leisure** is a Trust established in 2002 to provide leisure and fitness facilities. The performance figures for attendance at pools and indoor facilities are amongst the top three compared with other local authority areas and are increasing.

185. In March 2004 Audit Scotland published *Following the Public Pound*, a review of the arrangements councils across Scotland have in place to ensure that public money going to arms length organisations is being used properly and that there is effective accountability. The study used the 1996 COSLA / Accounts Commission *Code of Guidance on Funding External Bodies and Following the Public Pound*, as a basis for assessing the arrangements that councils have in place.

186. The local auditor found that the council did not have procedures and documentation for officers to follow when awarding and monitoring grants to third parties. The council was unable to demonstrate the required separation of duties between officers with an advisory role and those with a financial monitoring role. Furthermore the council was unable to provide evidence of training on these matters having been provided for members or staff. The council has responded to this by developing an action plan.

187. The **community support service** provides a wide range of services including supporting the Neighbourhood Services Theme of the Better Neighbourhood Services Fund (BNSF). The poor

financial arrangements for monitoring BNSF spend are covered Part 2 of this report.

188. The Community Services department is responsible for **Community Learning and Development** (CLD). In 2003 HMIE published an inspection report on community learning and development in Port Glasgow.

189. The inspection found that the service had strengths

- the quality of staff input in both youth and adult provision

- effective audits and need analyses which provided quality information on priority groups

- very effective partnership working aimed at providing the best possible service for the people of East Inverclyde

- imaginative use of outreach staff to minimise impact of budgetary constraints

- the quality of adult learning provision and its positive impact on people's lives

190. The inspection also found 6 main points for action, these are detailed in Exhibit 10 below.

Exhibit 10

Key points for action arising from 2002 inspection of Community Learning and Development in East Inverclyde

- The authority should review the level of staffing and resources allocated to community learning and development.
- The service should review the relationship between community work and community education services.
- The service should work with partner agencies to implement measurable and achievable targets within the community learning plan.
- The service should identify and implement systems to assess achievement and progress in work with young people.
- The service should devise and implement an effective staff development system and should give urgent attention to training in child protection.
- The service should develop a framework for team planning.

Source: HMIE Inspection of Community Learning and Development in East Inverclyde: Inverclyde Council 2002

191. In 2003 HMIE carried out a follow up inspection and found that progress on four of the action points was fair, one was good and one, the need to review the level of staffing and resources allocated to

CLD, was unsatisfactory.

192. A further follow up inspection was combined with a full inspection of CLD provision in East and Central Greenock in March 2005. The report of this inspection will be published in July 2005.

Environment and Regeneration Services

193. The Environment and Regeneration service is central to the transformation of the Inverclyde area. The service has very clear commitment at senior manager level.

194. The **Riverside Inverclyde** project is at the heart of the area's regeneration. Fourteen strategic development sites with riverside locations along the A8 corridor from Gourock to Port Glasgow have been earmarked for large scale mixed use development, integrating aspects of high quality residential, commercial, retail, leisure and public space within the 330 acres along the Clyde Waterfront. The long term vision is to reverse the trends of the last twenty five years and for Riverside Inverclyde to operate as a well functioning and sustainable local community. This project poses significant challenges and depends on effective working with partners; the council needs to ensure that the clear commitment evident in members and officers is backed up with the organisational capacity to deliver.

195. The **economic development service** is one of the key players in the regeneration of the Inverclyde area. In addition to the work it does on the Riverside Inverclyde project, the service operates business support from "The Business Store" in Greenock, where it is co-located with other agencies who provide business support, including; Scottish Enterprise Renfrewshire, Business Gateway, Princes Scottish Youth Business Trust. Greenock Chamber of Commerce, James Watt College, Careers Scotland, Inverclyde Training and Employment Initiative and Jobcentre Plus. The business store aims to help provide a joined up service to customers and the council is working to address some areas of duplication still exist between the partner agencies.

196. The **planning service** performs well in dealing with applications for planning consent, despite the lack of computerisation within the service. 91% of householder applications and 73% of all applications were dealt within two months in 2003/04. The service recognises the need to modernise its systems to improve service delivery and the resource requirements associated with this.

197. The **housing service** has been performing poorly for many years. The service uses the SPIs as the principal standards by which it measures its performance against other councils. These indicators show that the service performs badly in terms of:

- the percentage of rent lost due to voids - the council is in the fourth quartile for this SPI, and performance has declined by more than 15% since 2001/02

- the current tenant arrears as a percentage of the net amount of rent due in the year - again, the

council is in the fourth quartile, and performance has declined by more than 15% since 2001/02

- the percentage of current tenants owing more than 13 weeks rent at the year end - the council is in the bottom quartile, and performance has declined by more than 10% since 2001/02

- supervision and management costs are low in comparison to other councils.

198. Local performance indicators are at the early stages of development but, as the service recognises, the messages contained within the SPIs are already very clear. The council has a significant problem of low demand, leading to 'rejected housing stock'. This is being tackled through the Area Renewal Strategy, involving a large scale demolition project. The council's Housing Strategy is clearly defined and acknowledges the importance of mixed tenure and social housing. The service has set up an arrears control team and is working with building services to prioritise work on void properties to speed up their availability.

199. The service understands the challenges it faces to improve performance but it is hampered by a high staff turnover and a lack of the knowledge and experience needed to improve performance. It has also experienced problems with the implementation of a new computer system that has caused difficulties and drawn scarce resources from other activities.

200. The council is currently preparing for housing stock transfer, subject to a ballot of tenants. The quality of the housing stock is well below the level required for the Scottish Housing Quality Standard. Following protracted discussions, dating back before the 2003 election, the council concluded that stock transfer through the community ownership programme offers the only viable option.

201. Within the council there is considerable attention being given to the viability of **building services**. There is a long way to go in order to have an operation that would be fit to transfer with the housing stock. The service recognises the need to introduce more flexible working practices and improve the repairs processes and procedures. By its own assessment, cost effectiveness is poor. The service has also experienced significant difficulties with its Works Order Management System and financial arrangements, which the local auditor is monitoring.

202. The **transportation and roads** service recognises that it does not focus on monitoring the quality of outcomes delivered, value for money and customer satisfaction. Arrangements for consulting with customers and dealing with service requests are underdeveloped.

203. The 2004 Audit Scotland Report *Maintaining Scotland's Roads,* found that Inverclyde was one of four councils in Scotland in which 20% of the road network has deteriorated to a point at which repairs to prolong future life should be considered.

204. Inverclyde spends less than 3% of its revenue expenditure on structural maintenance, compared to

37% across Scotland as a whole. The council has been putting significant capital expenditure into roads which may go some way to explaining this. However, 36% of the council's roads expenditure goes on routine repairs, compared to the Scottish average of 18%. A shift of resources away from responsive repairs to structural maintenance should help to address the poor quality of the roads.

205. The service estimates that the repairs backlog is £8.5 million and is working to reduce this. Budgets have been cut over a number of years and the service has a reduced capital allocation in 2005/06. The service has also lost the expertise of some key members of staff over recent years.

Corporate Services

206. The Corporate Services directorate has strong leadership and there is evidence of a clear commitment to improvement. The service has a good understanding of its strengths and weaknesses and there is a clear plan for moving forward. The commitment of staff across the service is very apparent.

207. **Legal Services** are organised effectively, well managed and perform well. Positive feedback was provided by other council services even though the service has recently lost two key members of staff.

208. **Revenues and customer centres** is a new service, and at the time of writing the revenues function is still to transfer from finance services. Council tax and non-domestic rates collection levels are poor. The council tax collection rate in Inverclyde improved between 2000/01 and 2001/02 but remained among the worst in Scotland and had not improved significantly by 2003/04. The non-domestic rates collection level was 92.9% in 2003/04, the second worst in Scotland.

209. The service's performance on **benefits administration** is poor. The costs of benefit administration compare favourably with other councils but the average processing time for new claims in 2003/04 was 71 days. Only 91% of claims were calculated accurately over the same period. The Benefits Fraud Inspectorate (BFI) announced that the council is one of eight to be inspected in the near future due to its poor performance on processing new claims.

Part 4: What needs to improve?

The council has identified a number of priority areas where improvements are required in order to deliver efficient and effective services to the public. These focus on the building blocks that provide the foundations for Best Value – corporate planning, performance management, resource management, communications and consultation. Improvements in these areas should help to provide a more solid basis to support, maintain and improve service delivery.

However, the benefits of improving these building blocks cannot be fully realised until there is effective leadership, improved member officer relations, sound corporate management and a culture of continuous improvement.

Developing an improvement culture

210. Continuous improvement in public services and local governance lies at the heart of the Best Value and Community Planning policy framework. Elected members and officers must focus on key policy objectives and the needs of service users and communities, driven by a desire to achieve the highest possible standards in service delivery Local authorities must develop an improvement culture, where areas in need of improvement are identified and openly discussed, and service performance is constructively challenged.

211. Inverclyde Council has not made sufficient headway in defining its improvement agenda and needs to develop strategies designed to develop the organisation and improve service delivery. Its challenge is to develop a continuous improvement culture at both corporate and department levels that supports the council's objectives and drives up the standard of service experienced by local people.

212. The council has identified that substantial work is required to develop, improve and implement the building blocks that support Best Value service delivery. These are summarised in Exhibit 11.

Exhibit 11

Summary of Inverclyde Council's Improvement Plan

The council recognises the need to improve **and develop** its:

- Corporate performance framework

- Corporate strategy and community plan

- Corporate efficiency framework

- Corporate asset management framework

- Corporate human resources strategy

- Corporate communication and consultation strategy

Source: Inverclyde Council / Audit Scotland

213. Before it can deliver on this improvement plan the council needs to consider how best to address the core management difficulties it faces (Exhibit 12).

Exhibit 12

Core improvements required

The core improvements required at Inverclyde Council include the need for:

- more effective leadership by senior managers and elected members

- greater consistency in decision-making and scrutiny by elected members, based on clear evidence and performance information

- a more effective approach to corporate strategic management by the Chief Executive and the Corporate Management Team

- action by members and senior managers to develop an effective working relationship that supports the needs of the organisation and the delivery of Best Value services to the people of Inverclyde

- the development of a continuous improvement culture across all areas of the organisation

- a fundamental review of the council's management and service structure arrangements, based on a clear and logical analysis of customer need as well as organisational efficiency

- a review of the management capacity required to deliver on the challenges facing Inverclyde, in terms of skills, knowledge and experience

- a performance review of all services focussing on the identification of customer needs and the establishment of a clear performance baseline for all services from which targets can be set and against which future performance can be measured

- the development of a clear approach to demonstrating value for money and competitiveness in former CCT service activities

- a focus on the good practice that exists, both inside and outside the organisation

214. The council should be in no doubt of the challenge ahead. The gap between where it is now and where it needs to be is considerable, and it is not clear that the council currently has the capacity to close that gap. In these circumstances, an organisation can benefit from external support in addressing its problems.

215. Rather than attempt to deliver on a broad improvement agenda at this stage, the council should tackle its core management problems as a first phase in recovery. Once effective management capacity and key systems have been established, the council will then be able to embark on the extensive improvement actions required.

Inverclyde Council
The Audit of Best Value and Community Planning

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