

# Highland Council

## The Audit of Best Value and Community Planning

Prepared for the Accounts Commission

April 2006



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# Commission findings

1. The Commission accepts this report on the performance of Highland 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 council has demonstrated a number of significant strengths:
  - strong community engagement
  - well established joint working with the voluntary sector, NHS and other partners
  - increasing public satisfaction with service delivery
  - despite the high cost of service delivery, Band D council tax is below the Scottish average.
  
3. The council has approached the delivery of public services in an area which covers the largest land mass of all Scottish local authorities by decentralising to eight former local authority areas whose boundaries correspond with the former district councils. This creates an emphasis on local solutions to local problems which often deliver appropriate and effective arrangements for its residents. However the council needs to do more to bring corporate coherence to these decentralised and varied structures.

This is one of the reasons why the council needs stronger strategic leadership by elected members. There is also a need to develop corporate strategic management in the senior management team to complement the chief executive.
  
4. There are a number of areas of corporate activity in which the council must make improvements if it is to be in a position to deliver Best Value:
  - Internal scrutiny: it is essential that council members receive better performance information to enable them to make the most of their important scrutiny role.
  - Corporate performance: to meet the considerable challenges in developing sufficient staffing capacity the council needs to develop a corporate workforce planning strategy.
  - Managing assets: the council needs to develop an overall corporate Asset Management Plan to enable it to deliver its capital programme.
  - Managing and controlling risk: the council needs to do more to develop corporate risk management arrangements. Specifically it needs to set up a corporate risk register.



- Competitiveness: the council should consider putting some of the services delivered by its Significant Trading Organisations out to competitive tender. It should also make more effective use of options appraisals and of benchmarking.
5. While the council has taken some difficult financial and strategic decisions it needs to build on its general sound financial management by setting fewer, clearly articulated priorities at service and area level. The council must also maximise the opportunities for efficiencies in addressing the serious pressure on its resources caused by current demands.
  6. The Commission acknowledges that the council recognises the need for improvement, particularly in addressing its current decentralised structure and looks forward to receiving an Improvement Plan from the council which contains specific targets and goals.



# 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:

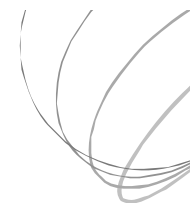
- assess the extent to which the Highland Council is meeting its duties under the Local Government in Scotland Act 2003 and
- agree planned improvements with the council. These will be reviewed by the council's local external auditor over the next three years.

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 coverage in others. While we have made some comparisons with other councils, our overall approach has focused on performance trends and improvement within the Highland Council. The report also reflects the picture available at the time our main audit work was conducted in August and September 2005.

We gratefully acknowledge the cooperation, assistance and hospitality provided to the Audit Team by Councillor Alison Magee, Convener of the Council; Arthur McCourt, Chief Executive; Carron McDiarmid, Head of Policy and Performance and all other elected members and staff involved. We are also grateful to the representatives of community organisations and the council's external partners who kindly agreed to participate in the audit.



# Overall conclusions

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The scale and geography of the Highlands area presents significant challenges to the efficient delivery of council services. The current structure for local service delivery recognises the diverse nature of the area, but fails to capitalise on all opportunities for service responsiveness and efficiency.

There is a strong tradition of community engagement in the Highlands. Elected members provide strong local leadership and participate enthusiastically in council wide debate. However, local issues can predominate, resulting in the council having too many priorities that are difficult for the council to sustain.

Council services are generally well managed and there have been significant performance improvements in many parts of the council over the past year. Driving further improvement into the council's performance will require the sustained efforts of all elected members and senior managers combined with a more corporate approach to strategic development.

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1. The scale and geography of the Highland Council area present significant challenges to the efficient delivery of public services, but the area's natural heritage and environment also present unrivalled opportunities. Although the population is growing, the area suffers from skill shortages in key trades and professions and the council is actively seeking ways to retain graduates and ensure the economic sustainability and viability of its rural and urban communities.
2. To assist the council in providing relevant local services across such a large geographic area, it has put in place decentralised service delivery arrangements which cover eight distinct areas based on the boundaries of the former eight district councils in the Highlands.
3. Elected members provide strong community leadership supported by committed local officers, but the matrix management systems are difficult to access and operate. The decentralised structures have promoted an environment where local priorities predominate. This has resulted in a loss of focus on the council's corporate priorities and the council having so many priorities that it will be difficult to sustain effective responses to them.
4. The council accepts that area structures and arrangements, in their current form, cannot be sustained in the long term, and it is now reviewing its area-based political management arrangements.
5. The council has demonstrated a strong commitment to campaigning, and representing the Highlands is a key priority within the council's Corporate Plan. It has had success in its campaigning; although it needs to ensure that it strikes a balance between its investment in campaigning activities and sustaining its focus on its service delivery priorities.



6. The chief executive is a strong figure within the council who has led a number of its key initiatives. The council's senior management team has provided good management of their respective services, but there is scope for increased corporate responsibility across the team.
7. Community planning is well established at strategic and area levels, although it is not so well integrated at middle management level or well defined in local communities. There is a strong and effective tradition of community engagement across the Highlands and well established and effective joint working initiatives, such as the council's integrated children's services. The council now needs to build on these positive aspects of its operations to improve the effectiveness of its community planning arrangements.
8. The council has the infrastructure in place to support corporate and service planning, but could increase its impact by greater prioritisation of resources through policy led budgeting. This is particularly important as the council is projecting a potential gap of £20 million in its revenue budget and efficiency savings for 2006/07 and will have to make some difficult decisions about its priorities. More generally, financial management is sound, but a more strategic approach is needed to better reflect local need and priorities. Further advancement of the council's medium-term financial strategy and learning from the Community Budgeting pilot will inform this developing approach. The council's ICT infrastructure is also strong, but implementation of Digital Highland has been slow.
9. Council services are generally well managed, and overall, the council's performance has shown signs of improvement in the last year following a period of deterioration. The council has introduced mechanisms to support continuous improvement, which aim to deliver a more systematic focus on improving performance. Many of these are, however, relatively recent and need further development, although this year's improved performance indicates some early impact.
10. Performance management is developing and this presents an opportunity for the council to systematically embed a sustained focus on improvement. It is critical that members receive better performance information to make the most of their scrutiny role.
11. The council is investing in other key areas such as developing its risk management and procurement arrangements and these are improving. However, there are still opportunities to improve its arrangements for testing competitiveness and applying options appraisal in a wider and more consistent way. There are also some omissions in the council's arrangements, for instance there is a lack of articulated corporate strategies for either workforce planning or asset management and there is also generally a need to boost staff morale. Equal opportunities also need more attention.





12. Council members and staff show strong commitment to the people who use services and the views of customers are important to the council. There is, however, scope to make more use of public opinion in its strategic processes. Although the viability of the most remote communities is at the heart of much of the council's activity, it knows it must do more to step up its efforts in relation to sustainable development more generally.
  
13. Delivering the degree of improvement that the council needs will require a focused commitment from elected members and the senior management team. It is essential that all elected members and senior managers accept corporate responsibility for improving the council's performance.



# Part 1: Does the council have clear strategic direction?

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The council's vision for the area is articulated in its strategic plans. Its decentralised structures are based on historical local government arrangements, and local priorities predominate. As a consequence there are too many priorities and a loss of adequate focus on corporate issues.

Members participate enthusiastically in debate, but do not always make the connection between strategic decision making and the impact in local areas. The council should review its arrangements and ensure members play a more active part in strategic leadership and scrutiny. While structural changes have brought about efficiencies at the corporate level, change at the area level has been opportunistic.

The chief executive provides strong leadership, but there remains scope for all senior managers to be more fully engaged in the council's strategic and corporate issues. Elected members provide strong community leadership supported by committed local officers, but matrix management systems are difficult to operate.

Community planning is well established at strategic and area levels but is not so well integrated at middle management level or well defined in local communities, although there is a strong and growing tradition of community engagement and influence across the Highlands. Recent additions to the council's public performance reporting are welcome. The council has the infrastructure in place to support corporate and service planning, but could increase its impact by greater prioritisation of resources.

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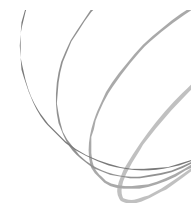
## Context

### The Highlands area

14. The Highland Council area covers the largest land mass of all Scottish local authorities comprising 33 per cent of the country (26,484 square km), and including 15 inhabited island communities. The administrative centre of the council area is in Inverness, which is a fast growing commercial, retail and business centre that was awarded city status in 2000.
15. More than a quarter of the Highland landscape is heather moor land and peat land. Low intensity land use characterises the region as much of the land is too high for agricultural or forestry use. Environmental quality of the land is high with outstanding natural heritage.

### The Highlands population

16. The population of the Highlands in 2004 was 211,340 (General Registers Office mid-year estimate). This is the seventh largest population of all Scottish councils, but the lowest population density in the UK. The Highlands are eight times less densely populated than Scotland as a whole, and more than



30 times less densely populated in the most remote areas of Sutherland. Around 26 per cent of the population live in super sparse areas.

17. Highland's population increased by 1.2 per cent between 2001 and 2004, compared to an increase of 0.3 per cent across Scotland as a whole. This trend, however, varies between the distinct communities that make up the Highland area, with a decline of 1.5 per cent in Caithness and an increase of 2.8 per cent in Nairn. There are considerable differences in population sizes between the eight administrative areas. Inverness has a population of 67,733 while Sutherland, Skye and Lochalsh, Nairn and Badenoch and Strathspey all have populations of less than 15,000 ([Exhibit 1](#)).

## Exhibit 1

### Population change in the Highlands 2001 - 2004

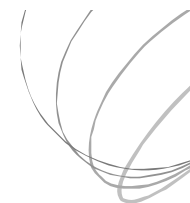
| Population            | 2001           | 2004           | Change (%) |
|-----------------------|----------------|----------------|------------|
| Badenoch & Strathspey | 11,649         | 11,900         | 2.2        |
| Caithness             | 25,552         | 25,164         | -1.5       |
| Inverness             | 66,562         | 67,733         | 1.8        |
| Lochaber              | 18,791         | 18,789         | 0          |
| Nairn                 | 11,386         | 11,707         | 2.8        |
| Ross & Cromarty       | 49,358         | 49,967         | 1.2        |
| Skye & Lochalsh       | 12,156         | 12,374         | 1.8        |
| Sutherland            | 13,466         | 13,706         | 1.8        |
| <b>Highland</b>       | <b>208,920</b> | <b>211,340</b> | <b>1.2</b> |

Source: *The Highland Council website (General Registers Office)*

18. Highland is also projecting an increasingly ageing population and a decline in the number of young people living within the area. In 2002 15.6 per cent of the population was 75 years or over, this is projected to increase to 22.5 per cent by 2018. Over the same time period the number of 0 to 14-year-olds is projected to decrease by a one quarter.

## Life in the Highlands

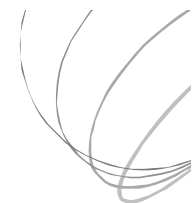
19. Around 86 per cent of working age people in the Highlands are economically active. This is significantly higher than the Scottish average of 79 per cent, although a higher proportion of the workforce is employed in agriculture, fishing, hotels and catering than in Scotland as a whole. Between 1997 and 2003, Highland experienced a greater increase in the number of jobs than the trend across Scotland as a whole, 15 per cent compared to 11 per cent nationally. This included a particularly large increase in manufacturing jobs in contrast to the declining national trend during the same period.



20. In comparison with the country as a whole, the Highland economy supports much higher rates of part-time jobs and self-employment. Many jobs are seasonal, especially in the more rural areas, and public sector jobs contribute significantly to the maintenance of the local economy and the sustainability of rural communities.
21. The unemployment rate in the Highlands is 2.4 per cent; this is lower than the Scottish average, but the rate of unemployment among 18 to 24-year-olds has risen by 7 per cent in the last year. Overall, there are greater seasonal fluctuations in unemployment in the Highlands than in Scotland as a whole.
22. Earnings in the Highlands are five per cent lower than the national median. The Scottish Index of Multiple Deprivation (SIMD) identifies spatial concentrations of deprivation. In relation to geographic access and telecommunications, two measures of SIMD, Highland contains more than a third of the ten per cent most deprived areas in Scotland.
23. The Highlands contains a high proportion of detached and semi-detached houses, and greater proportions of owner occupation and private renting than average. There are fewer houses in the lowest and highest council tax bands, and the average weekly council house rent is the fourth highest in Scotland.
24. Educational attainment is above the average, and the health of residents is better than average. However, the Scottish Neighbourhood Statistics show there was a significantly higher than average rate of hospital admissions for alcohol misuse in the Highlands between 1999 and 2002, suicide rates in the Highlands are higher than the national average, and the Highland Joint Health Improvement Plan 2004-07 indicates that the number of women who smoke at ante-natal booking is slightly higher than average.

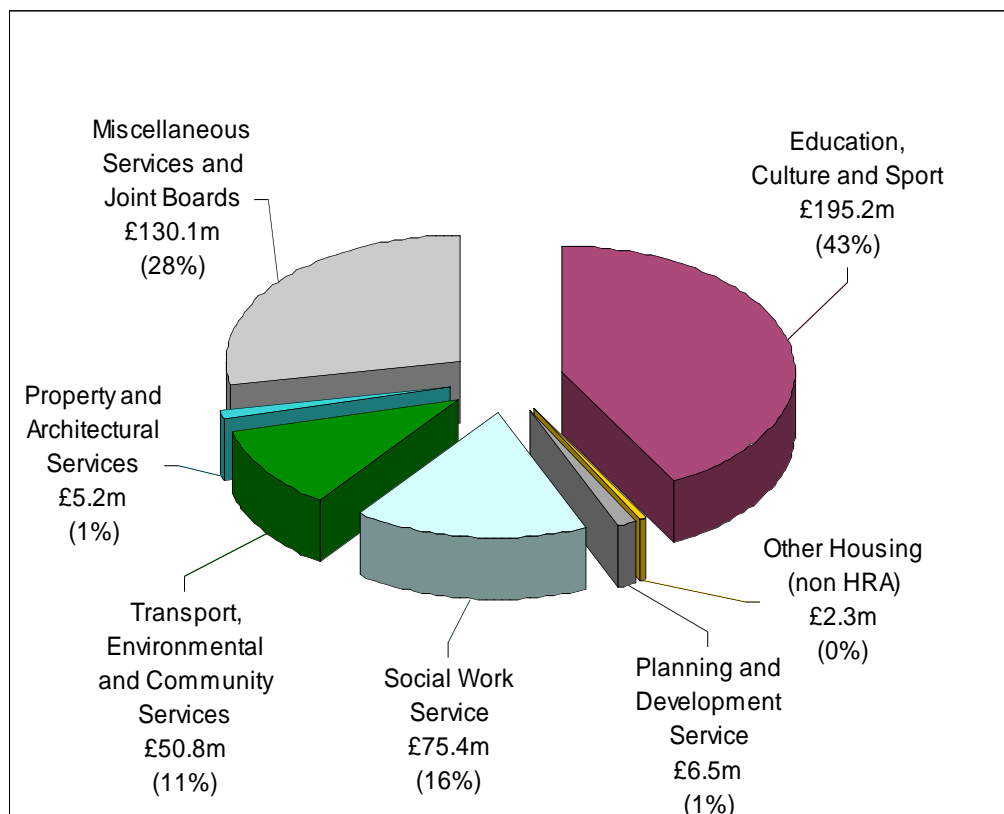
## Council finances

25. The council's net revenue budget for 2005/06 is £465 million ([Exhibit 2](#)). Band D council tax for the same period was £1,086, slightly below the Scottish average of £1,094.



## Exhibit 2

### Net revenue budget by service area 2005/06



Source: The Highland Council

## Challenges and opportunities

26. The council faces a range of challenges and opportunities unique among Scottish local authorities. The quality of life offered by the Highlands is a powerful attraction to inward migrants whose numbers continue to grow. Among these are increasing numbers of migrant workers from EU accession countries. This trend of increasing inward migration presents potential opportunities for the council in terms of both sustaining its rural communities and attracting new skills to the area. However, these changing population patterns also place new and increased demands on council services for which the council needs to prioritise and plan.
27. The council, with its partners, is considering how to respond to the needs of inward migration. There are specific commitments within the community plan towards supporting inward migration and a population summit is planned to consider progress being made and further actions required by partners to address this issue.
28. Like many Scottish local authorities, the Highland Council is suffering from shortages of key professionals and trades, including town planners, engineers, social workers and construction industry



staff. The difficulties arising from shortages are compounded by pressure on existing staff to cover work left by vacant positions, the need for new skills, and competition with other sectors of the economy to attract staff. Skills shortages in the Highlands do not just affect the council, but also other public sector providers, notably the NHS, and the private sector.

29. The council has recognised these pressures and has initiated a range of programmes designed to grow its own indigenous talent at the same time as attracting staff and jobs from other areas. For example, plans to relocate Scottish Natural Heritage headquarters from Edinburgh to Inverness are well advanced.
30. A significant number of young people leave the Highlands to take up higher education. This is potentially a key issue for the council as it aims to secure greater economic viability and sustainability for its communities. The council has demonstrated its awareness of this issue by playing a key role in the initiative to secure the title of University of the Highlands and Islands in 2007 for the Millennium Institute. This involves a collaborative partnership with Aberdeen, Edinburgh and Strathclyde Universities. The council anticipates this will have a major impact on the number of graduates wishing to remain in the area.
31. The super sparse nature of parts of the council area suggests the need for highly responsive communications to improve accessibility to council services and maximise the efficiency of its service delivery. The council has made progress in developing more effective telecommunications arrangements, but has also recognised the need for further investment. The council has plans and resources in place to roll out Broadband connections, providing high bandwidth connections for schools, libraries and other council services.
32. Despite these plans, the cost of providing a comprehensive range of council services in the most remote areas is very high. The council commissioned a report from independent consultants, which calculated that the additional cost of providing services in super sparse areas is approximately £12 million. Furthermore, in the Highland context there is an ongoing challenge for the council in demonstrating value for money in services such as refuse collection, when it covers a third of the land area of Scotland.
33. The council has decentralised service delivery to eight local areas whose boundaries correspond with the former district councils that operated in the Highlands. [Exhibit 3](#) outlines the boundaries of the eight administrative areas.



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### Exhibit 3

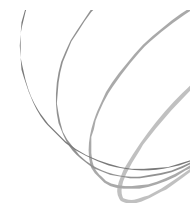
#### Decentralised administrative areas



*Source: The Highland Council*

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34. As part of our audit work we looked in detail at three of these areas; Lochaber, Caithness and Inverness. We reviewed a number of common themes in each area, as well as specific, focused work on education, community care and housing. We refer to examples of the council's work in each of these areas throughout the rest of this report. [Exhibit 4](#) sets out a brief profile for each of these areas.



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## Exhibit 4

### Lochaber, Caithness and Inverness Profiles

**Lochaber** - Lochaber lies in the south-west Highlands and covers 4,650 square kilometres. The population is approximately 20,000 with over half of the area's residents living in Fort William and the surrounding area. Employment levels are relatively high; however a large proportion of jobs are seasonal and provide low income. There is significant pressure on the supply of affordable housing and growing homelessness in the area.

**Caithness** - Caithness lies in the north-east Highlands and covers 1,800 square kilometres. The population of the area is 25,195, and is in decline. The Wick area has one of the highest long-term unemployment rates in Scotland and other parts of the area suffer from higher than average unemployment levels. One of the key issues facing the area is the impact of the de-commissioning of Douneray on the local economy and population.

**Inverness** - Inverness lies in the south-east of the Highlands and covers 2,900 square kilometres. The population of the Inverness area is growing rapidly and is expected to reach 69,000 by 2011. Eighty per cent of the population is concentrated around the city of Inverness and Culloden. The area's economy is buoyant, but it suffers from an acute shortage of affordable housing that may be exacerbated by further population growth and future right to buy council house sales. Work is underway to increase the supply of housing in the area, and restrictions on the Right to Buy have now been imposed in pressured areas.

*Source: Audit Scotland*

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## Vision

35. The council's vision for the Highlands is set out in three key documents: the council's Structure Plan, (2001-2017), Corporate Plan (2004-2007) and with its partners, through the Wellbeing Alliance's (WBA) Community Plan (2004-2007). The WBA is the formal community planning partnership operating at the pan-Highland level. The Community Plan identifies three strategic issues for the Highlands:

- population
- difference and inequalities
- infrastructure.





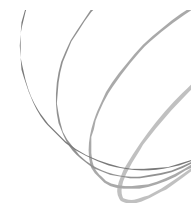
36. The development of these themes involved community consultation, and they provide a good fit with the key challenges of the area. The WBA has identified three over-arching aims designed to tackle these themes, more people choosing to live, work and learn in the Highlands – and able to do so; individuals and communities feeling they are dealt with equitably; and the Highlands having the infrastructure to keep it at the forefront of modern rural regions.
37. These aims are underpinned by seven priorities:
- developing a strong, sustainable and competitive economy
  - encouraging lifelong learning and developing community capacity
  - improving health and wellbeing
  - investing in housing and its infrastructure
  - improving transport
  - enhancing culture, heritage, the Gaelic language and the natural environment
  - developing safe, strong and attractive communities.
38. The corporate plan sets out its vision within six themes: Representing the Highlands; Working with Communities and Partners; Improving Quality of Life; Being Open, Fair and Accountable; Delivering Services Effectively; Valuing and Involving Staff. These themes are underpinned by a detailed framework of measures, targets and outcomes. The first review of progress against the plan will cover the period to the end of December 2005.
39. Although the council has established and articulated its vision within its strategic plans, it still needs to rank the many priorities they contain in order of their importance, to enable it to direct its resources towards its highest priorities. In the absence of clearly ranked priorities, it is difficult to judge how the council determines the most effective deployment of resources where there are a range of competing demands. For example, while local priorities, corporate priorities, campaigning priorities, development projects, partnership projects and directly funded initiatives all contribute towards the council's vision, without clarity around which activities and priorities take precedence it is unclear how the council can ensure that an appropriate balance is found between all of these competing demands and the respective pressures on resources that they generate.
40. It is clear that the council places a high premium on local solutions to local problems which often deliver appropriate and effective arrangements for its residents. However, this approach also creates a competitive tension between areas in securing resources, especially where local priorities are not necessarily in line with the priorities and vision set out in the community and corporate plans. The focus of members on their local areas is sometimes at the expense of their corporate leadership role.



41. One of the council's corporate priorities is to represent the Highlands. Elected members and officers emphasise the importance of this campaigning role, and cite several successes, including the Scottish Executive's decision to remove tolls on the Skye Bridge, and its agreement that the council could remove the council tax rebate for owners of second homes.
42. It is important that a balance is sought between the resource requirements for campaigning priorities and the needs of service delivery priorities. Campaigning activities can require a significant amount of support work from officers, for example supporting individual interested elected members and related committees, working groups and projects.

## Leadership

43. The chief executive and director's work with elected members to develop the strategic direction of the council, and relationships between officers and elected members are generally good. There is a prevailing view that while officers provide strong leadership, elected members could assume a greater role in the strategic leadership of the council. This view is reinforced by the strong community leadership role that many members adopt in preference to a more strategic corporate role.
44. It is also clear that members do participate in debate at the strategic level. Political debate across the council is mature and effective, and all members are provided with adequate opportunities to put forward their views. There is, however, evidence to indicate that members do not always make the connection between strategic decision-making and the impact this has in local areas.
45. A key mechanism by which elected members can demonstrate their leadership, is to promote a culture of openness and accountability around the key strategic and policy decisions of the council. As an independent body, the council places a high value on the opportunity all members have to participate in debate on such issues. There is scope for the council to consider how it can capitalise on this culture to further develop its approach to internal scrutiny and local accountability.
46. Among council staff and elected members, the chief executive is widely viewed as a strong figure who keeps firm control of the council. This strong corporate leadership role does, however, mean that across a range of areas a significant focus of knowledge and information rests with one individual within the council. There is therefore scope to further increase the involvement of other members of the senior management team in the full range of strategic and corporate planning issues facing the council.

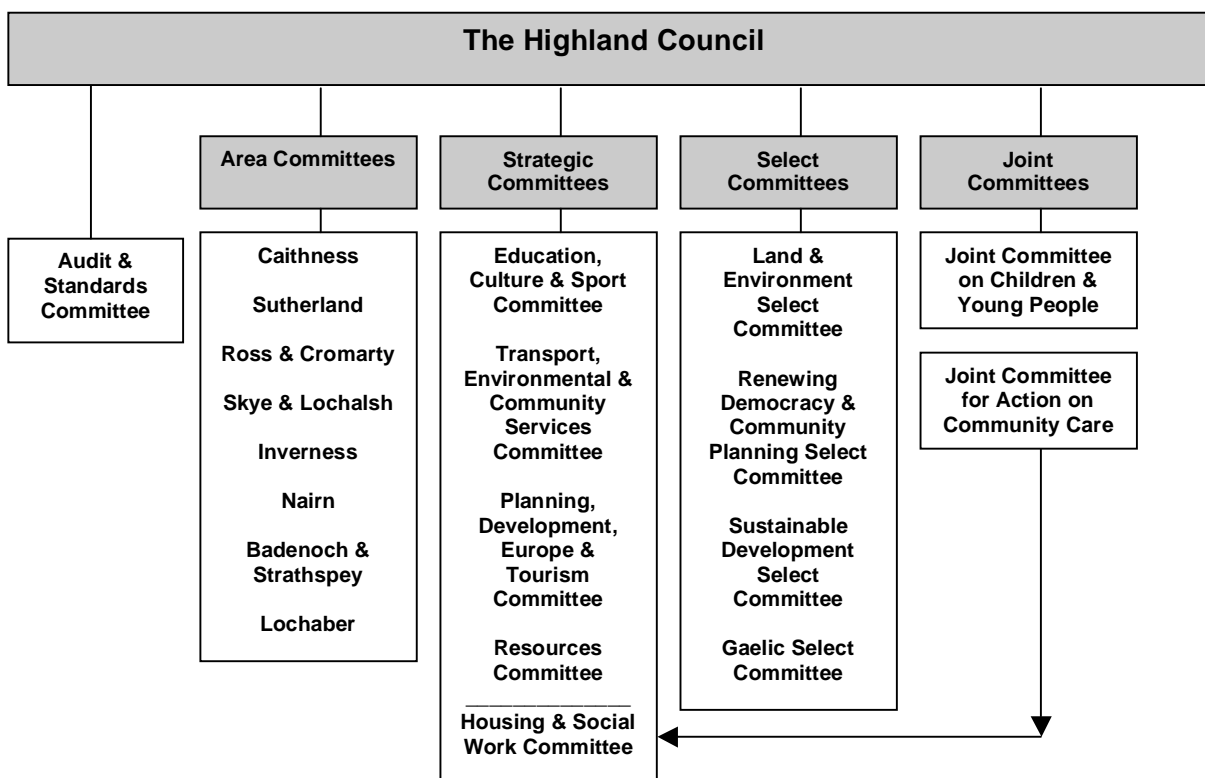


## Political and management structures

47. The council consists of 80 elected members with 55 Independent members, 11 Liberal Democrats, eight Labour and six SNP.
48. Due to its geographic scale, the council adopted a highly decentralised structure based on headquarters in Inverness and eight decentralised areas operating within the boundaries of the former district councils. At the headquarters level, the council operates a series of strategic committees and select committees on policy issues. These are illustrated in [Exhibit 5](#).

### Exhibit 5

#### Committees of The Highland Council

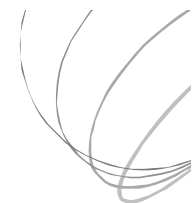


Source: *The Highland Council*

49. The eight decentralised administrative areas have their own political management structures. These vary greatly from one area to another. For example, in Inverness, the council's strategic committee structure is largely replicated at area level, but in Sutherland, only one, the Sutherland County Committee is operated.



50. A survey of council members, undertaken as part of our audit, indicates that just over 40 per cent think that the area-based committee structures are working well. More than 20 per cent think they are not. Nearly 40 per cent think the area committees have a clear relationship with council wide priorities, but almost 30 per cent disagree, and around a third of members do not believe that policy issues are well integrated between areas and council wide committees.
51. The council's management arrangements broadly reflect political structures within a matrix management system. This means that local services are managed by local managers, who are accountable to heads of service or directors. This matrix approach, however, has resulted in complex arrangements that both staff and elected members find difficult to understand or access. We found some evidence that elected members find the structures hinder their ability to resolve casework problems. Equally though, we found evidence that members of the senior management team have regular contact with elected members outwith the formal committee structures, and are generally at members' disposal to provide advice and information.
52. At the area level, there is good community leadership shown by both elected members and officers. [Exhibit 6](#) sets out the arrangements in place at the three areas we reviewed in more detail.



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## Exhibit 6

### Leadership

#### Lochaber

In Lochaber, elected members provide strong local leadership, supported by committed lead officers. Members have a good deal of local government experience and senior level involvement at the centre of the council, lending the area a strong profile in corporate forums. The Area Committee is strongly led by members and there are open and productive working relationship with senior officers and the council's partners. The council provides appropriate leadership for local community planning through the Lochaber Partnership.

The area manager is pivotal to coordination and communications between the Area Committee, the Lochaber Partnership, and the wider community. In spite of the strong leadership shown to promote and develop Lochaber, the area manager has very little influence over the direct delivery of local council services. As in all of the areas, responsibility for provision of services locally lies with the area service managers who report to the corporate centre.

#### Caithness

While political leadership in Caithness is clearly focused on the local area, elected members' corporate leadership role has not been well articulated within local communities to ensure a common understanding of their broader responsibilities. The role of the area manager is to provide a conduit between council services, elected members and the public. The area management team do not operate as a team, and managers tend to focus on their own service silos. The area manager is attempting to change this through matrix management, in the absence of direct management responsibility for any of the services.

Members and officers are well aware of the economic and social pressures facing the area and are committed to changing its fortunes. A number of projects have been established to contribute to the development of the area. These include 'Initiative at the Edge', Ormlie, Pulteneytown People's Project and the Airport House project.

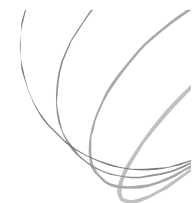
#### Inverness

Elected members and senior officers in Inverness have developed good working relationships, and provide strong leadership. The area manager is highly respected and retains a close interest and involvement with the large number of major developments across the area. The Area Management Team works well together as a corporate group, and there are many good examples of cross-departmental working.

Inverness has a Common Good Fund that generated income of over £1.6 million in 2005/06. The fund has its origins in the earliest days of local government in the area, and it is used to support a broad range of initiatives and events in Inverness, as well as to fund capital investment programmes such as upgrading the public entrance to the Town House to ensure DDA compliance. As in other areas, members have access to an area discretionary fund of just over £4,500 each per year that area committees can award to local causes and projects.

*Source: Audit Scotland*

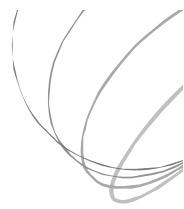
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53. At the corporate level, management structures have changed twice since reorganisation; in 1998 and 2001, resulting in a reduction from 14 directors in 1996 to eight at present. However, while the council's decentralised service delivery arrangements allow it to respond flexibly to local circumstances, there has been only modest structural or organisational change at area level since the council was formed. This means there is a great deal of variation in the size and structure of services from one area to another that is not fully explained by variations in scale and geography. The council's approach to streamlining its arrangements at area level has been opportunistic and this represents a missed opportunity to secure much needed service improvements and resource efficiencies for the council at the local level.
54. It is now broadly accepted within the council that area committee boundaries will need to change in the future. The council highlights the likely reduction from 80 wards to 22 or 23 multi-member wards at the next local government election in 2007 as one of the reasons for change, alongside the impact of proposed new planning legislation that will limit area committees' development control functions, and the possibility of housing stock transfer. The council is now reviewing its arrangements. It is important that the council maximises the opportunities this review presents to improve the efficiency and effectiveness of its local service delivery arrangements and provides clear leadership on this important issue.
55. The council recognises the need for its elected members and officers to be supported in acquiring and developing the skills they need, including the development of effective leadership. Training and development programmes for members were put in place following the last election and members are generally satisfied with the training they receive. Likewise, managers across the council have had access to a management development programme since 1999 to ensure that they develop the skills they need to meet the changing demands in their services for the future. The impact of this investment is also visible among staff working in the areas. For example the Inverness Area Management Team works well and there is evidence of shared learning from crises and successes. This approach has been greatly assisted by the council's MDP scheme.

## Community planning

56. Community planning in the Highlands started in 1996 and the first plan was produced in 2000. The WBA community planning partners believe that the council has tried to provide strong leadership for the Alliance since the 2003 legislation placed new duties on councils to lead the process, without affecting the spirit of partnership and co-operation built up since 1996. The council appears to be making significant efforts to take community planning forward in a manner which builds on established work.



57. While the WBA has defined its high level strategic themes, efforts to address these in local areas vary. The community planning process is not strategically driven into local areas. As a consequence areas are defining their own approach, resulting in great variation across the eight localities. The strategic role of elected members in defining the approach to community planning locally is, therefore, critical and in need of sustained attention.
58. In Lochaber, community planning is highly developed, service delivery between partners is often seamless, and agency boundaries and traditions are less important than the quality of service that the public receives. The local community plan, Lochaber Community Action Plan, has only recently been drafted, and is designed to reflect the WBA plan.
59. The council is one of the key stakeholders in Outdoor Capital of the UK Ltd, set up to promote and develop Lochaber as a leading destination for outdoor pursuit tourism and major outdoor activity events. It is relatively early days for this initiative but it has caught the imagination and recognition of the community and the community planning partners as a valuable addition to Lochaber's regeneration and development.
60. Community planning in Caithness was in abeyance and is now being reinvigorated through the work of the Caithness Partnership. Wick Community Council produced its first community plan in 2001 with a view to developing the Wick area. The plan was reviewed and updated during 2005 and includes environmental and facilities projects as well as general service projects. The community council acknowledges that much of the work will be carried out by partner agencies. This is a good example of community planning working at a local level.
61. In Inverness, the City Partnership has secured substantial funding from the City Growth Fund, and has drawn up ambitious plans to reinvigorate the physical and cultural infrastructure of the city. Beyond the city, the Partnership for Rural Inverness and Nairn and the Local Economic Forum contribute to the vision for the rural aspects of the area. Community planning in the area is based around these three partnerships, but the greatest activity and investment is within the city itself.
62. Although there are council officers engaged with the WBA at the strategic level, and there are many excellent examples of council staff involved in partnership working at the local level, there is little evidence that the council has established a community planning culture at all levels throughout the organisation.
63. While the WBA is recognised as an excellent network for sharing information, there is limited reporting to the public on the effectiveness of community planning. Community planning partnerships should be able to demonstrate the impact of their work and report on their progress in a balanced way. A progress report for the first year of the Highland Community Plan is planned for next year, but the council recognises that more systematic feedback from community engagement and joint working



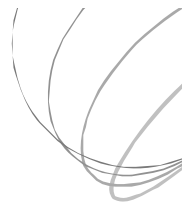
should be made available to the public. There are already some good examples of this that the council can build upon, such as the conference involving community representatives that looked at the final report from the Community Budgeting pilot.

64. To report on the performance of the partnership, the Wellbeing Alliance must set clear targets and have in place appropriate systems to measure and monitor improvement. The targets and actions identified within the community plan are monitored by the WBA's officer group; however the officers recognise the need for improvement in the range and approach to performance monitoring.

## Community engagement

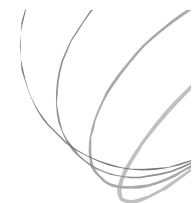
65. There is a strong tradition of community action in the Highlands. Elected members have well established relationships with local groups and individuals, and can demonstrate a clear understanding of the wishes of local communities. There is evidence that locally defined issues are fed into the policy making processes by elected members. For instance, reducing rolls had rendered a number of small primary schools unviable and as a result, the council took a decision to mothball these while retaining the option of re-opening should demand increase at a point in the future. Following community representations to the local elected member, Altnarra primary school was reopened as a result of this policy in recent months.
66. Community organisations in the area are very ambitious and hold high aspirations. There are many examples where community groups have taken responsibility for large scale capital and revenue projects and for direct management of local services. The council and its external partners provide direct and grant aided support to develop and sustain community activity in local areas, and the council reports there has been a significant growth in community engagement and control since its formation in 1996.
67. Community councils are generally positive about their relationship with the council, but some feel it could reach a wider audience if its approach to consultation was more flexible. Open forums in local areas, involving face to face discussion between community planning partners and the public, are well supported where they take place. The convener and chief executive have an annual road show that takes in all of the council's eight areas and provides an opportunity to meet staff and service users. Similar initiatives to meet staff in local areas are undertaken by service directors. Equally, area managers have a range of routine meetings with community and business interest groups in their areas.
68. Community engagement in the areas is also strong. In Inverness community engagement has traditionally been strong and effective, and the Area Community Councils Forum is an active participant in the major strategic developments in Inverness such as the £6 million *Streetscape*





improvement programme for the city centre. The City Partnership has also applied significant energy to engage local traders in this process.

69. The Pulteneytown People's Project is another good example of community planning and engagement working at a local level in Wick. It was established in 2002 and is focused on the development and sustainability of the area. It works in partnership with local residents, the council and other organisations to address the priorities in the Pulteneytown district of Wick, and has been awarded Investors in People (IIP) status.
70. There is a well embedded culture of community engagement within the Lochaber Partnership, the area community planning partnership. Partners demonstrate a shared vision, a genuinely joint approach to deliver their shared goals and an enthusiastic approach to community engagement. A good example is the public question and answer sessions, hosted by the council. The voluntary sector, in particular Voluntary Action Lochaber, is very much part of community planning and takes a significant role in supporting community engagement activities for the partnership.
71. Community participatory appraisals carried out by local communities supported by community learning and development staff and Area Development Managers are conducted across all areas. Door to door and street surveys in Lochaber are good examples of the council supporting local people to define local needs and solutions in their own areas. There are also many good examples of community engagement stemming from the work done locally by elected members and officers. At the corporate level, the council engages through a range of channels, for example, new schools consultation, support for area community planning partnerships, community budgeting, the annual select committee dedicated to Community Councils and developing the policy on inward migration.
72. The council has conducted a performance survey each year since 2001. Most recently, the 2005 Highland Council Performance Survey was carried out by an independent consultant. The survey is designed to elicit the views of up to 9,000 householders selected at random. It lets the council judge public opinion across five key areas: contact with the council; satisfaction with services; children, families and communities; child protection and the role of the community; and recycling. The response rate in 2005 was 17 per cent, up from 15 per cent the previous year. The survey report contains some useful information about the extent to which the public thinks that the council is open. For example while 55 per cent of the public believed that listening to local people was among the five most important features of the council, only ten per cent believed that the council is open. However, this is offset to some extent by 40 per cent of respondents who describe the council as friendly ([Exhibit 7](#)).



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## Exhibit 7

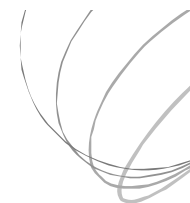
### Openness of the council

| Satisfaction with services                             |                           |     |
|--|---------------------------|-----|
| One of the five most important features of the council | To Listen to local people | 55% |
| Words/phrases which apply to The Highland Council      | Open                      | 10% |
|  | Friendly                  | 40% |

Source: *The Highland Council*

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73. Overall satisfaction with council services increased from 75 per cent in 2004 to 78 per cent in 2005. During the same period, 89 per cent of households responding to the survey thought the council was easy to contact, 71 per cent were satisfied with the information they received, and 65 per cent of contacts were dealt with on the first request. All of these figures showed an increase on the previous year.
74. Consistently high levels of public satisfaction (more than 60 per cent) have been reported over the last two years for refuse and bin collection, payment of council tax, primary education, registrars, service points, libraries and street lighting. Road repairs and pot holes, land use and building control, and winter maintenance have scored consistently poorly in the public's opinion over the last two years.
75. The results from the survey have been reported to the council and to the public through a recent newspaper supplement. The newspaper supplement shows significant development by the council towards improved public performance reporting. It is important that in developing this approach the council ensures public reporting provides a balanced picture of the council's performance. The report to the council indicated that directors and area managers should use the survey to generate improvements and feed into their wider performance management arrangements. While some services have indicated areas for improvement, there is not a comprehensive action plan with targets, and some areas highlighted by the survey lack any action points.
76. A council that can demonstrate Best Value will publish balanced performance information in a range of formats, at regular intervals enabling the public it serves to understand how well it is performing. With some exceptions in Education, Culture and Leisure Services, Social Work Services and Children's Services, public performance reporting is generally under-developed in Highland. The council has recognised this and has recently made significant efforts to begin to address the shortcomings in its approach to public performance reporting.



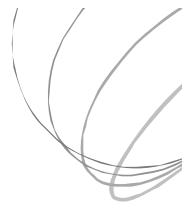
## Corporate and service planning

### The corporate plan

77. The corporate plan is produced on a three-yearly cycle and contains the council's goals, values, and corporate priorities. The council published its second corporate plan in late 2003. The plan has broad based political support across the council and its contents and purpose are well understood by senior staff. The high level nature of many of the corporate priorities makes it easy to connect the plan to the Community Plan priorities for the area. The council has also established six Corporate Improvement Groups to monitor progress against the six themes within the corporate plan.
78. One of the core functions of the corporate plan is to integrate the council's strategic priorities with its spending plans. This is a challenge for the council given that too many priorities exist. The council does not use policy led budgeting in its current corporate and financial plans, although it considered developing such an approach a few years ago.
79. To date, the council's broad approach to resourcing has been based on an equalisation process across the eight administrative areas. This approach is consistent with the council's strong local focus and its desire to protect the share of resources in each area. However, it diminishes the impact the council could have through greater prioritisation of its resources, and does not allow it to fully realise the true flexibility of its area based arrangements by reflecting differing patterns of demand for services and priorities for investment across the eight geographical areas.
80. The council is developing an electronic monitoring tool for the corporate plan targets with its information services provider. This tool provides a direct connection between departmental service plan targets and their contribution to corporate improvement themes to enable progress reports to be produced.

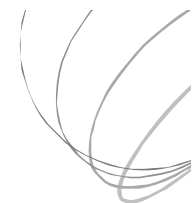
### Service planning

81. Service plans should provide a rounded view of service delivery, linking planned improvements and priorities to the budget and targets. An effective service plan also provides a robust platform for the scrutiny of performance. The council has a service planning infrastructure in place and all services produce a three-year rolling plan updated annually, linked to the themes from the corporate plan. A number of services also produce more detailed operational plans.
82. Elected members approve updated service plans on an annual basis. Each plan contains detailed information on the previous year's performance, and forthcoming improvement priorities. Overall, however, the plans fail to provide information on core service delivery or to make the links with the budget setting process or resource management. There is insufficient focus on improved outcomes.



These points combine to provide only limited information from which elected members can effectively scrutinise service delivery and performance.

83. There are some good examples of effective service planning in the council. The Integrated Children's Services Plan reflects joint working that connects strategy with resources, allied to robust member scrutiny through the joint Children's Services Committee. This model was developed by the council in conjunction with the Scottish Executive, and was designed to provide a model of good practice which is being used by other Scottish authorities.
84. Good service planning should involve staff at all levels to elicit their views of past performance and future priorities, and make the connection between operations and strategy. There are some good examples of staff involvement in Education, Culture and Leisure Services, Social Work Services and TECS. It is important that the council seeks to share good practice like this across all services.



# Part 2: Is the council organised to support continuous improvement?

The council is introducing mechanisms to support continuous improvement. Many of these are relatively recent, and not yet fully embedded, and there are important omissions such as workforce planning and asset management.

Performance management is under-developed but improving. Joint working is well established and effective. Equal opportunities issues need more attention. Financial management is generally good, but a more strategic approach is needed to better reflect local need and priorities. The council's ICT infrastructure is strong, but more progress needs to be made with implementation of the Digital Highland programme. Risk management and procurement arrangements are improving, but competitiveness needs to be tested, and options appraisal applied more widely.

Members need greater support to make the most of their scrutiny role, and public opinion needs to play a greater part in strategic planning.

While the viability of the most remote communities is at the heart of much of the council's activity, it knows it must do more to step up its efforts in relation to sustainable development.

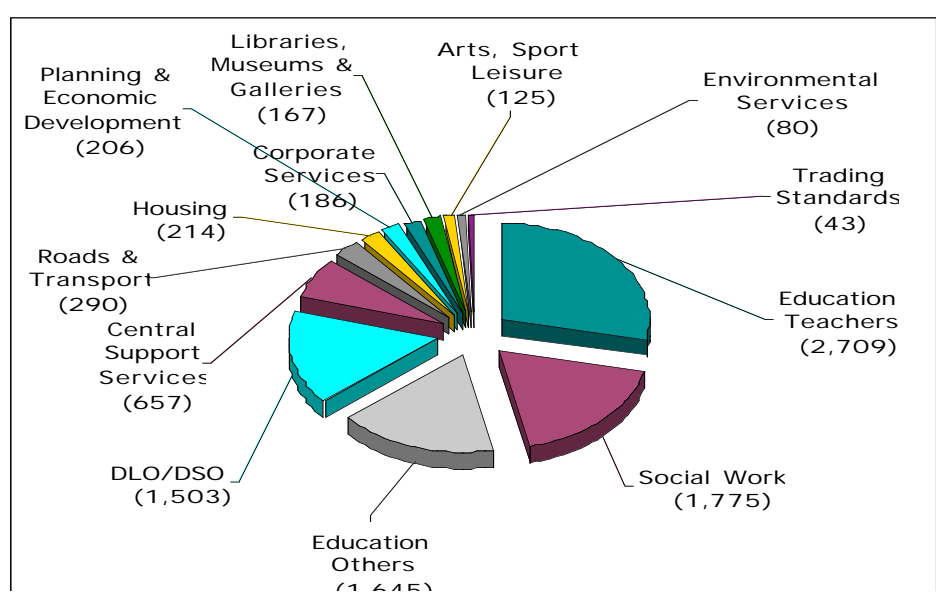
## Efficient use of resources

### Managing people

85. The council employs 9,600 whole time equivalent staff (Exhibit 8).

#### Exhibit 8

Whole time equivalent staff by service area



Source: Joint Staffing Watch Survey 2004



## Staff

86. The personnel section within Corporate Services is responsible for corporate personnel and staff training and development functions. It is facing some significant challenges including job evaluation, and the impact of a possible future housing stock transfer. The section is unable to provide an accurate profile of staff or monitor the consistency and uptake of the council's Personal Development Planning (PDP) process, and there is limited monitoring of the impact of training. The section is aware of the need for improvement in these areas. The council's information base will be improved through a Digital Highland project which is overseen by the recently established personnel and payroll programme board.
87. The council faces challenges in developing sufficient staffing capacity, particularly within professional occupations such as social work, engineering, planning and construction. The council's response to date has relied mainly on initiatives by individual services, and there are some good examples of this:
- the 'Grow your own' initiative to train and retain qualified social workers won a CoSLA excellence award in 2005
  - partnerships between Education, Culture and Sports and Scottish universities to increase the numbers of teachers and community learning and development workers working in the Highlands
  - former architectural technicians being retrained as professional project managers
  - a joint recruitment brochure developed by the council and its community planning partners, which aims to attract prospective employees to the Highlands.
88. However, the scale of the challenge it faces can only be addressed through a corporate workforce planning strategy. The council has in place a range of human resources policies, but it recognises the need to develop such a strategy to meet current and future demands and plan its way through the staffing pressures it is experiencing.
89. Some area level policies, particularly in respect of bonus payments, have been in operation since the council's inception. The council and trades unions have spent the past two years discussing harmonisation of 32 sets of conditions of service inherited at local government reorganisation. This process is now largely finished with broad agreement around which components will be dealt with under harmonisation, and which will be dealt with as part of the national job evaluation and equal pay process. The harmonisation process has taken a long period of time to complete although efforts were stepped up in recent years.
90. The council has demonstrated a commitment to understanding the issues and challenges facing its workforce. The council has recently published its third employee survey that was conducted by MORI in 2005; earlier surveys were conducted in 2000 and 2002. The survey covered a range of issues,

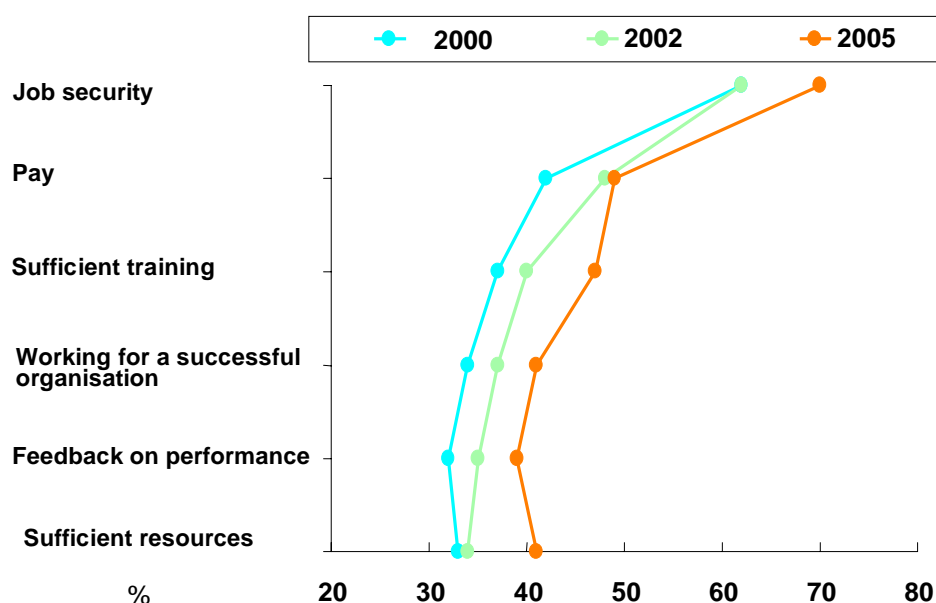


including working for the council, management style, communications, training and development, corporate and service plans, change at the council and teachers.

91. The three surveys have asked consistent questions allowing comparison, and improvement trends have been mapped. For example, trends in relation to staff satisfaction with their job are illustrated in [Exhibit 9](#).

### Exhibit 9

#### Trends in job satisfaction 2000 - 2005



Base: All respondents (4,588), 6 May- 10 June 2005

Source: MORI

92. The 2005 survey concluded that the council's staff are generally very satisfied with their job security and benefits. However, it also highlighted wide variations in levels of staff satisfaction with their jobs across services, ranging from 40 per cent in Property and Architectural services to 76 per cent in Corporate Services. The survey notes that while staff feel valued by their immediate line managers, they are less positive about the council as a whole with only 15 per cent indicating that they would speak highly about the council if asked.
93. Individual services are now considering how they will respond to the issues raised by the survey. It is equally important that the senior management team maintains its focus on corporate action arising from the survey and communicates its progress in addressing issues, as feedback from staff indicates that actions arising from previous surveys have not always achieved the same priority and investment across its individual services.



94. The survey provides staff with the chance to have their say every two or three years, and some services also actively encourage their staff to communicate on an ongoing basis and to raise suggestions for service improvement. However, this does not happen consistently across the council and there is no corporate scheme that encourages staff to offer their ideas on how services could improve. We heard simple and practical suggestions that have not been acted on as staff did not perceive a clear route for such ideas. This is a missed opportunity to encourage and empower staff to make a contribution to the improvement of the council's service delivery and the achievement of efficiencies.

## Training and development

95. The council has operated a managers' development programme for six years. The current programme (MDP 4) is targeted at over 300 managers including head teachers. MDP 4 is focusing on performance management, workforce planning and ICT. There is also a programme for women into management, and a mentoring and coaching pilot is being established to support officers in developing the skills they need in the future. There is, however, limited monitoring of the impact of training carried out across the council.

96. The council is in the process of implementing Personal Development Plans (PDPs) for every member of staff. These set out key development areas for individuals and aim to improve their personal contribution to service delivery and improvement. The 2005 employee survey suggests that to date, PDPs have been completed for only 34 per cent of staff, but for manual and craft grade staff completing the survey, the figure fell to only nine per cent. The council plans to roll out PDPs to all staff by 2007.

97. The employee survey indicates that staff morale has improved since 2002, but remains low among 41 per cent of staff. However, levels of sickness absence, sometimes used by councils as a proxy indicator of morale, were consistently below the Scottish average in the Highland Council between 2000 and 2004 ([Exhibit 10](#)). This suggests that generally poor morale does not appear to be affecting absence rates, which indicates good management of the issue and commitment of the council's staff.

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### Exhibit 10

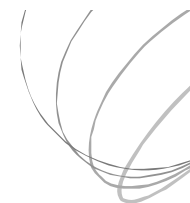
#### Staff sickness absence 2000 - 2004

| Percentage of days lost  |         |         |         |         |
|--------------------------|---------|---------|---------|---------|
|                          | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
| <b>Highland Council</b>  | 4.4     | 4.1     | 4.4     | 4.18    |
| <b>Scottish councils</b> | 5.4     | 5.4     | 5.4     | 5.2     |

Source: *The Highland Council*

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98. Council members receive training following their election that covers members' responsibilities, including the Code of Conduct and Governance. Our survey of members found that 87 per cent had been offered training on specific subject areas or for personal development in the previous 12 months, and 56 per cent had received training. Overall, 81 per cent of members reported that they had appropriate access to training and development, and guidance from officers. It is important that the council keeps this area under review as it approaches the 2007 election when there may be some members who are new to the council.

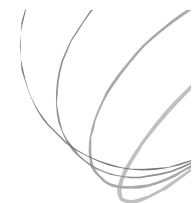
## Managing money

99. Financial management is generally good. The council is developing a medium-term financial strategy but this is not yet in place. A significant barrier to the council's progress in this area is the need for fewer, clearly articulated priorities at service and area level. More clearly defined priorities will allow the council to allocate its resources more effectively.

100. There are some examples of difficult financial and strategic decisions being taken by elected members, such as the care homes option appraisal and the decision to pursue housing stock transfer. Like many local authorities, however, the council is projecting a gap in setting its 2006/07 revenue budget and meeting its efficiency targets. In Highland, the projected gap is approximately £20 million and this position is becoming critical. In the future members will need to consider more systematically the financial options available to them, for instance with regard to the procurement options for services, and make a clear statement of what are, and perhaps more critically, what are not priorities at service, area, corporate and partnership levels.

101. The council demonstrates a number of aspects of good practice in relation to budgetary control. Monthly financial monitoring reports are provided to all budget holders, and summary reports are prepared for the SMT and members via service, resources and area committees. There is scope for the quality of information presented to members to be improved further to assist their understanding and support decision-making.

102. In their final report on the 2003/04 audit, the council's external auditors reported their disappointment at the time elapsed between completion of the audit and the publication of the audited financial statements. The report urged the council to ensure that appropriate priority was given to the publication of the 2004/05 abstract of accounts. The council took steps to deal with this, including filling a vacant post of principal accountant. The 2004/05 certified accounts were issued to the council and the Controller of Audit within two weeks of the issue of the auditors' report. This was a significant improvement where the time elapsed between completion of the audit and publication of the financial statements had fallen from four months to two weeks within the period of one year.

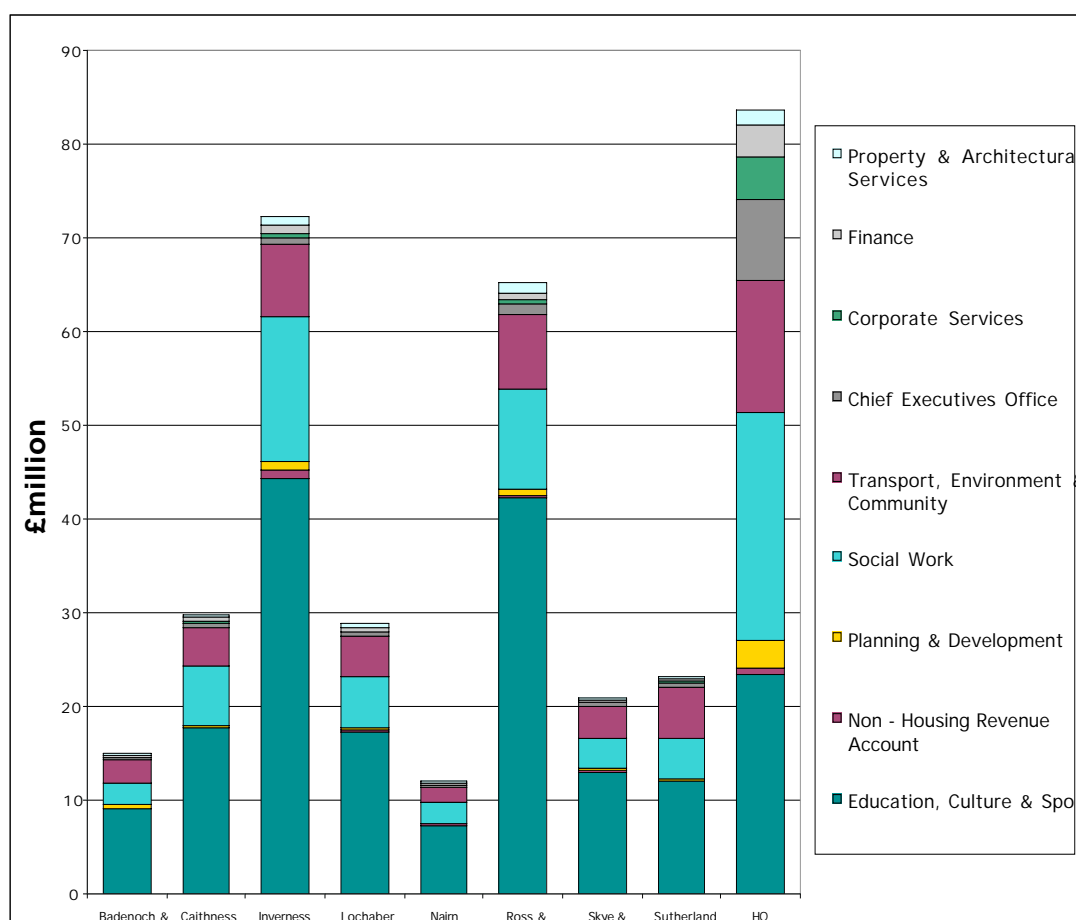


103. The council's budget is set corporately and is service driven. Area budgets consist of service allocations set at headquarters. Within the council's overall budgetary framework, local areas determine housing budget priorities, roads budgets, discretionary budgets and schools budgets. The content of budgetary reports to area committees varies. The budgetary report to the Sutherland county committee provides a model of good practice that other areas could follow. Area spending allocations by service are shown in Exhibit 11, with expenditure per capita in each area shown in Exhibit 12. This sets out the distribution of council revenue funds in 2005/06 across the eight local areas. It does not include council budgets managed directly by the corporate headquarters. The exhibit demonstrates that there is considerable variation in resources between areas.

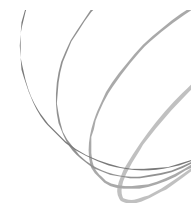
104. While the council has not articulated an overall investment strategy to support these allocations, it was involved in the Scottish Executive's Community Budgeting Pilot. This has now evolved in Highland to a Community Planning and Resources Project. The pilot explored whether a greater understanding of the resources available to the community, particularly public sector resources, might allow better decision-making.

### Exhibit 11

2005/06 Service budgets by area (£000,000s)

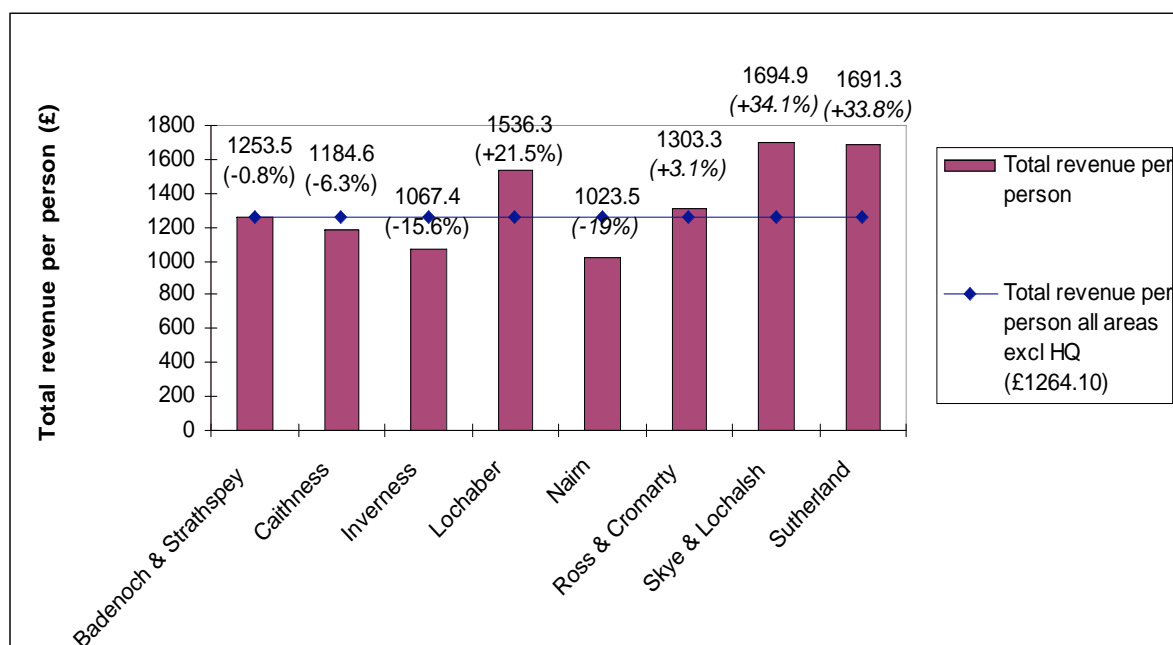


Source: The Highland Council



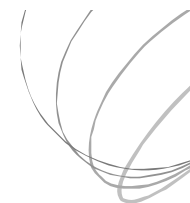
## Exhibit 12

### 2005/06 Expenditure per person per area



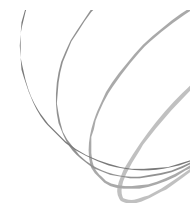
Source: Highland Council Budget Book 2005/06 Detailed Volume and Highland Council website (General Registers Office)

105. The council's strategy for reserves is to hold an amount equal to three per cent of the revenue budget (approximately £14 million) in the General Fund for contingencies. Other amounts within the General Fund are earmarked for specific purposes. At 31 March 2005, the council held General Fund balances totalling £24.4 million, of which £4.6 million was earmarked for specific purposes. The remainder, £19.8 million, is significantly higher than the £14 million required by the council's strategy. The council expects costs associated with the refurbishment of care homes, community projects, storm damage repairs, energy price increases and the cultural festival Highland 2007, to bring the reserves balance back into line with the strategy. It is also likely that the council will need to draw on its reserves to meet the cost of equal pay settlements. The council's external auditor is monitoring this position.
106. The Benefits Fraud Inspectorate (BFI) has sharply criticised the council for its failure to prosecute housing benefit fraud cases. The Department of Work and Pensions has said that the council is one of 12 in the UK that is to be inspected by the BFI to establish why its record on prosecutions is so low. The council believes that this may be due to its Housing Benefit Matching Service that enables early checks to be carried out to prevent fraud. The outcome of the BFI inspection will be followed up by the external auditor.



## Managing assets and controlling risk

107. The council holds a wide range of assets, mainly consisting of land and 3,850 properties, deriving from the combined assets of the eight district councils that made up the former Highland Region, and from the former Highland Regional Council. The council has made little progress in developing a corporate approach to asset management and has no corporate Asset Management Plan (AMP), with the exception of the schools estate AMP which was prompted by the Scottish Executive.
108. Work is underway within the council to establish the levels of Disability Discrimination Act (DDA) compliance across the council's properties, but this is not part of the development of a comprehensive AMP and the council has no firm plans or timetable to produce one. As a consequence, there has been no strategic rationalisation of former district and regional council property since the council was established. This is a missed opportunity for efficiency savings. However, work has been undertaken that will result in rationalisation of office accommodation in Sutherland, with similar proposals underway for Wick, Dingwall and Inverness. As part of its work, the WBA is exploring options for shared accommodation for the community planning partners.
109. In 2004/05, the council spent £54.79 million on capital projects, with a further £6.9 million on improvement grants and other programmes treated as capital expenditure. In the absence of an AMP to determine priorities for investment it is not clear what criteria the council has used to allocate its capital spending resources in 2004/05.
110. Delivery of the capital programme is an area of great concern to elected members, and slippage in the programme has caused significant frustrations. The council finds it difficult to deliver in this area due to external factors such as capacity within the local construction industry work force, the competitive nature of the construction industry in the area, and related skills shortages. The council is undertaking studies in an effort to better understand the issues affecting the construction industry that are having an impact upon its ability to deliver the capital programme. It is important that the council also examines performance more closely to establish whether its approach to its capital projects is realistic given the available capacity.
111. The council's audited accounts for 2004/05 include a corporate governance assurance statement signed by the council that gives an undertaking to, "...embed risk management throughout the council's services." In recognition of the fact that, until fairly recently, risk management has been fragmented across the council, a more strategic approach is being developed through the council's Risk Management Working Group.



112. Efforts are being made across services to embed a risk management culture and ensure that service based risk registers are in place. This aims to ensure that risk management is a natural consideration in the delivery of the council's services. These arrangements are not yet fully embedded but some progress is being made. Officers are keen to develop and improve on this area and a lead officer has been nominated to take this forward. It is also important that senior elected members champion the mainstreaming of this issue amongst the elected members and keep progress under review.

113. The council has made less progress in developing its corporate risk management arrangements. There is a need to develop a corporate risk register and review how the council will monitor and report on its arrangements. A review of the corporate arrangements is scheduled for spring 2006.

## Managing Information and Communications Technology (ICT)

114. The council places a high premium on the application of Information and Communications Technology (ICT) because of the challenges offered to service delivery by the size and topography of the Highlands. ICT solutions are central to the council's ability to deliver its high level corporate objectives.

115. ICT at the council is provided by an external private company through an outsourced ten-year contract that was established in 1998. The contract has provided the council with a robust ICT infrastructure capable of supporting the Digital Highland programme.

116. The Digital Highland programme was established in 2000 and aims to modernise the way the council operates and improve public services throughout the Highlands. Robust governance arrangements have been set up through a Programme Board, Project Boards for individual projects and an elected member Working Group. The strategic vision for the programme could be more clearly articulated to ensure priorities are dealt with appropriately, and the council is working towards this. The programme of work has not progressed as well as expected, and there have been difficulties and delays in recruiting to key posts but these now appear to have been resolved.

## Buying goods and services

117. The council's strategic procurement arrangements were initially managed within the chief executive's department, to promote the importance of this corporate issue. Responsibility has now transferred to the director of finance who, with a newly appointed procurement manager, is responsible for ensuring the continuing corporate profile of this issue.

118. The council's focus to date has been on e-procurement and strategic sourcing through its use of the PECOS software system. Progress has been made and savings have already been achieved and reported to the council's Budget Working Group (BWG). For instance, the council's Business

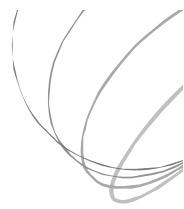


Improvement Team exceeded its 2004/05 efficiency savings target of £250,000 securing a total saving of £287,000 from travel and accommodation, temporary agency staff and classroom supplies. This demonstrates that the council is making progress but it is aware that there is still a lot to do, including developing and implementing a corporate procurement strategy, improving awareness and creating a procurement culture across the council for both elected members and officers, and extending the council's procurement remit to include goods and services, infrastructure and building projects.

119. Some services are able to demonstrate competitiveness through the delivery of a mixed economy of providers, but the council's Significant Trading Organisations (STOs) have not been subject to competitive tender since the 1990s. This is a missed opportunity for the council to review the value for money its services provide.
120. The council operates a series of Highland-wide contracts and standing supplier lists to buy goods and services. However, an Internal Audit report in May 2005 noted that during the financial year 2002/03, approximately £2 million had been paid to ICT systems and services suppliers outwith the Highland Council/ICT partnership Agreement.
121. There are some examples of option appraisal, such as in the proposed housing stock transfer, the reprovisioning of care homes, and the schools Public Private Partnership (PPP) initiative, but it is not routinely applied as an integral part of the council's management culture or in its service review processes. This is a further missed opportunity for the council to secure value for money.
122. The council has a programme of Best Value reviews, supported by basic corporate guidance. A number of reviews have been completed, some of which have led to improved business processes or service delivery. For example, following the review of the Meals at Home service it was out-sourced to an external provider. Feedback from customers has been positive, and the change has resulted in cash and time-releasing savings.

## Accountability and openness

123. The council has established an accountability framework for the respective roles and responsibilities of elected members and officers through its Scheme of Delegation. This is reviewed annually. The scheme covers all of the council's main functions in committees and sub-committees and at area and headquarters levels.
124. Members are becoming more challenging of council services' performance, but this can be improved further. An important factor in improving the council's performance in this area is the provision of appropriate and timely information. The information reported to elected members in Highland is not always sufficiently detailed to enable informed decisions to be reached. Members report that they make regular requests for additional information, especially in respect of budget monitoring for

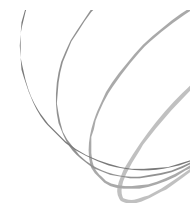


individual services. We have also noted occasions where officers have put forward suggestions for improvements in the information supplied to members and have received little or no feedback.

125. Having too many priorities means the council is at risk of over-promising and reinforcing competitive tensions between areas that undermines the achievement of its corporate objectives. The convener, chief executive and others meet with the business sector and with community representatives each year in each of the eight areas. Meetings focus on budget pressures and priorities and seek feedback from representatives. These meetings are very useful, but have so far, engaged with only 150 to 200 people. There is scope therefore for the council to extend this approach as part of its annual budget process.
126. The council operates an audit and standards committee. The committee's function is to advise the council on matters relating to external and internal audit work, complaints about council services, the councillors' code of conduct and ethical standards. Evidence suggests that the committee is carrying out its functions appropriately.

## Managing performance and scrutiny

127. The council's corporate performance management system incorporates the corporate planning framework, delivery of service plan priorities and performance review. The performance of each council service against the three-year rolling service plan is reported annually to council committees.
128. The corporate plan sets out over 150 indicators and measures, and these will be reported on in 2006. Some services, such as Housing and Social Work, provide quarterly performance reports to committee and there are other examples of quarterly reporting, for instance in respect of the ICT contract and Highland Opportunity Ltd. However, these arrangements are not applied consistently across all services. This means that the content and frequency of performance information reported to elected members is extremely variable, and sometimes fails to provide them with an up to date and ongoing assessment of the council's performance overall. These arrangements do not provide an effective framework within which service performance can be monitored or challenged by elected members.
129. The chief executive holds quarterly meetings with service directors to consider performance issues in their individual services. This arrangement has been in operation for only a short time and has yet to be fully refined and embedded. However, early indications from directors suggest that it is useful in monitoring and challenging service performance. As part of this process, service performance is monitored using the council's e-monitoring tool, classified by a red, amber, green (RAG) status, against improvement objectives contained within the corporate plan.

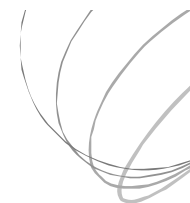


130. Management information is reported and monitored monthly by service management teams, but the content and style of reports varies. Some services, such as Social Work, have recognised the limitations of their existing management information, and are actively seeking to improve the content of information reported. Service plans are, however, based on improvement tasks and do not contain information on service performance levels. Overall, this provides limited information from which elected members can effectively scrutinise whole service delivery.
131. Much service performance information is built up from the area level and aggregated to whole service level, but there is little evidence that service performance is reported to officers, members or communities in a systematic way. The council has placed a high premium on its decentralised arrangements and providing local service delivery solutions but the opportunity to demonstrate value for money and investment priorities between areas, as well as to improve the council's record on public performance reporting, is being missed.

## Continuous improvement

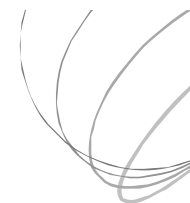
132. A culture of continuous improvement is beginning to emerge. For example, in 2004, six corporate improvement groups emerged from a reorganisation of previous structures to monitor and steer improvement across the six high level objectives contained in the corporate plan.
133. Each service plan contains improvement priorities for that part of the organisation but the quality is inconsistent. Some services demonstrate a developing culture of continuous improvement. For example, Education, Culture and Sport has undertaken a range of national initiatives that have driven change but also stimulated regular self assessment and a focus on improvement.
134. There are examples of external benchmarking within services but there is little evidence that this is used systematically to improve services. There are many examples of good practice within services as well as some use of improvement tools and accreditation schemes including Chartermark for the Service Point Network, ISO 9001:2000 in TEC services, and Investors in People in some schools and leisure facilities. These have not been driven corporately and there have been limited corporate mechanisms that allow for innovative ideas and good practice to be shared across services.
135. The council recognises it needs to continue to develop more integrated corporate arrangements to support and drive the modernisation agenda and to manage change, and has recently established a corporate performance team. Further effort will now be applied to the construction and tracking of measures and indicators of performance. The drivers of change across the council are primarily new national policy, legislation, audit and inspection, and the council's own initiatives for improvement.





## Joint working

136. Joint working is a strong part of the council's culture and is well established across services. There are many good examples across the council, but it still faces some challenges if it is to get the most out of joint working.
137. For example, the council's approach to integrated children's service planning and delivery is very impressive as a result of strong leadership, effective planning and political drive. The Integrated Children's Service is designed to bring together strategic planning and practice in the Social Work and Education, Culture and Sport Services, together with the council's external partners and service users. The head of service is jointly accountable to the directors of the Social Work and Education, Culture and Sport Services. The Joint Children's Services Committee provides strong leadership for children's services in the Highlands and oversees expenditure of more than £22 million for integrated service delivery.
138. However, the different professional cultures involved in managing and delivering integrated children's services have not been acknowledged and, as a consequence, cultural barriers have occasionally hindered progress. Elected members should provide strong leadership in identifying, recognising and overcoming such barriers. Equally, there is evidence in parts of the council that a silo mentality still exists between services, and competition between areas is still prevalent.
139. The council has a strong relationship with the voluntary sector, both as service delivery and planning partners, and at strategic and local levels, although voluntary sector representatives report being better connected to the council at local than central level.
140. Partnership working is now evolving in community care as well as children's services. The Scottish Executive notes that Joint Future arrangements are *well progressed*, and the council points to success in dealing with delayed discharges. There are examples of successful local joint working, but a sense that the early impetus built up around the Joint Future agenda at the strategic level has now stalled, and that the Joint Community Care Committee could do more to reinvigorate it.
141. NHS Highland currently shares the same overall boundary as the council, which makes joint planning more straightforward than in other areas. It remains to be seen whether recent decisions to extend the board's boundaries to incorporate elements of service currently provided under Argyll and Clyde NHS Board will have any effect on this. The NHS board has developed three Community Health Partnerships in the Highlands, but the council has had only a limited involvement and they are not well connected to the community planning processes in the way envisaged by statutory guidance. As part of its overall approach to integrated service delivery, this is an area where the council needs to exercise more influence at both political and officer levels.



142. On the other hand, partnership working between the NHS and the council at the area level is often very effective, and there are many good examples of real joint working and new forms of service delivery designed to improve the service user's experience, such as the alignment of boundaries between adult care social work teams and GP practices in Inverness.

143. There are many good examples of joint working underway between council services, partners and communities including Lochaber's Transport Forum, whose role is to improve local transport; the Caithness Area Children Services Forum, which was established to improve services for children and families through better inter-agency working; and the Inverness City Partnership which aims to significantly develop the city over the next 30 years. [Exhibit 13](#) below describes one of these examples in a little more detail.

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### Exhibit 13

#### Caithness Area Children Services Forum

The Caithness Area Children Services Forum was established to improve services for children and families through better inter-agency working. The forum includes representatives from Education, Social Work and Health as well as other partner organisations. Joint meetings are also held with the Sutherland forum. The forum has realised a number of achievements which include:

- an increase in school nursing provision
- the creation of new joint service posts based in schools; and
- assisting the development of Health Promoting Schools.

The forum has also identified local outcome targets which have specific measurable outcomes and outputs and for which clear responsibilities have been assigned to partners.

*Source: The Highland Council*

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## Equal opportunities

144. The council is working to promote equal opportunities but it recognises it has more to do before its arrangements are fully effective. It has taken steps to communicate with Gaelic readers and is assessing the extent of DDA compliance (with improvement works already completed in some council buildings), but it recognises the need to do much more to meet accessibility targets and ensure that an updated race equalities plan is in place.

145. There is only limited evidence in service plans that equal opportunities are an important element of mainstream service delivery that is monitored and reported. However, the council makes a strong commitment to gender equality, and can point to significant improvements in the number of women in the highest two per cent (up from 18.7per cent to 25.5 per cent compared to the Scottish average of 29.6 per cent) and five per cent (up from 29.7per cent to 34.7 per cent compared to the Scottish

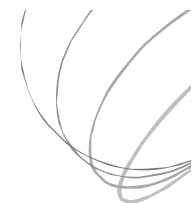


average of 36.6 per cent) of earners between 2003/04 and 2004/05. The council acknowledges there is more progress to be made, but it is travelling in the right direction.

146. The council recognises that its approach to equal opportunities can be improved, and is currently in the process of refreshing its equalities strategy. As part of this, the council should set itself challenging, measurable targets that can be reported to members and to the public in due course.

## Sustainable development

147. The council's self assessment acknowledged that its approach to sustainable development leaves room for improvement. Sustainable development is still at the early stages in most aspects of the council's work. It established a sustainable development select committee in 2001, but some members feel that it has not delivered any significant change, and that the issue had not been given adequate weight to-date by the senior management team.
148. Community sustainability has been at the forefront of the council's approaches to sustainable development. Elected members are very active in ensuring that the smaller communities in the sparsest areas of the Highlands have a viable future, and this has shaped council policy in areas like schools and pre-fives provision in the most rural communities.
149. There are some good examples of work contributing towards this including: the use of Sustainable Urban Drainage Systems (SUDS) in new developments; a strong commitment to the three aspects of sustainable development in the Housing service plan; sustainable design guidance; sustainable procurement for school meals; an energy management performance plan; a programme of consultation on the council's strategy for renewable energy in Highland; and biodiversity action plans in place for each of the council's eight areas.
150. The council is also making some progress in mainstreaming its corporate commitment to promote the sustainability of its operations at area level. For instance, the Wick District Heating Scheme plans to use wood chip fuel to generate both heat and power to benefit the local community. The initial phase will make additional use of waste heat provided by the Pulteney Distillery. The scheme will reduce heating costs for householders and local businesses and provide sustainable economic benefits for the local community.
151. There is also an unusual example of a local area using the council's Power to Advance Wellbeing to establish a company limited by guarantee (Caithness Heat and Power Ltd), to provide affordable energy to the local community. Initial funding was obtained from the Community Energy Programme and the council's Warm and Dry programme to provide the scheme to around 500 council houses. Future phases of the project will include extending the scheme to more households as well as the local hospital, high school and other public buildings in the town.



# Part 3: Is the council delivering better public services?

Council services are generally well managed, and have maintained their performance in recent years. Although the council’s rate of improvement remains below the national average, significant improvements have taken place in some areas of service over the past year. Council members and staff show a strong commitment to the people who use services and the views of customers are becoming more important to the council. The council makes some use of public opinion in shaping its priorities, but recognises that it could do more.

## Statutory Performance Indicators – 2004/05

152. Audit Scotland publishes a set of 79 statutory performance Indicators (SPIs) for each Scottish local authority. While these do not give a comprehensive picture of performance across all services, they do allow some comparisons to be made between councils and over time. The overall trend over the two-year period from 2002/03 to 2004/05 shows the council maintaining its level of performance. Twelve measures improved by five per cent or more and 14 measures deteriorated by five per cent or more. Eighteen indicators show little or no change (Exhibit 14).

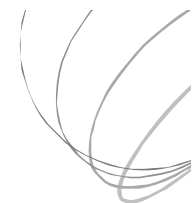
### Exhibit 14

#### Performance trends – 2002/03 to 2004/05

|                 | Measures that worsened by... |        |      | Measures that improved by... |        |      |
|-----------------|------------------------------|--------|------|------------------------------|--------|------|
|                 | >15%                         | 10-14% | 5-9% | 5-9%                         | 10-14% | >15% |
| <b>Scotland</b> | 6                            | 2      | 4    | 3                            | 2      | 9    |
| <b>Highland</b> | 5                            | 3      | 6    | 5                            | 2      | 5    |

Source: Audit Scotland

153. The ratio of improvement to decline between 2002/03 and 2004/05 was slightly below average, but the number of indicators in the upper and middle quartiles has improved greatly since 2003/04 showing an upward turn in performance in the past year (Exhibit 15). There are 13 indicators in the top quartile, 52 in the middle quartiles and 12 indicators in the bottom quartile. The number of unreliable indicators reduced from six in 2003/04 to two in 2004/05.



## Exhibit 15

### Performance improvements – 2003/04 to 2004/05

|  | Upper quartile |           | Middle quartiles |           | Lower quartiles |           | Unreliable |          |
|--|----------------|-----------|------------------|-----------|-----------------|-----------|------------|----------|
|  | 2003/04        | 2004/05   | 2003/04          | 2004/05   | 2003/04         | 2004/05   | 2003/04    | 2004/05  |
| <b>Adult Social Work</b>               | 2              | 1         | 9                | 11        | 4               | 3         | 0          | 0        |
| <b>Benefits Administration</b>         | 0              | 0         | 3                | 2         | 1               | 1         | 0          | 0        |
| <b>Children's Services</b>             | 2              | 1         | 5                | 8         | 2               | 0         | 0          | 0        |
| <b>Corporate Management</b>            | 2              | 4         | 3                | 5         | 2               | 2         | 3          | 0        |
| <b>Cultural and Community Services</b> | 3              | 3         | 2                | 3         | 2               | 1         | 2          | 2        |
| <b>Development Services</b>            | 0              | 0         | 3                | 4         | 3               | 2         | 0          | 0        |
| <b>Housing</b>                         | 0              | 0         | 7                | 7         | 0               | 0         | 0          | 0        |
| <b>Protective Services</b>             | 0              | 2         | 6                | 6         | 1               | 0         | 0          | 0        |
| <b>Roads &amp; Lighting</b>            | 2              | 1         | 1                | 3         | 0               | 1         | 0          | 0        |
| <b>Waste Management</b>                | 0              | 1         | 2                | 3         | 2               | 2         | 1          | 0        |
| <b>Totals</b>                          | <b>11</b>      | <b>13</b> | <b>41</b>        | <b>52</b> | <b>17</b>       | <b>12</b> | <b>6</b>   | <b>2</b> |

Source: Audit Scotland

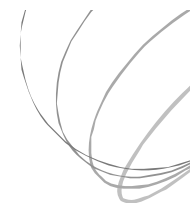
154. Statutory performance indicators for 2004/05 show that the council's performance improved in a number of service areas compared to 2002/03 and these are now among the best performing eight councils in the country. These are; breach of probation, swimming pool attendance and food hygiene inspections. Other areas of improving service where comparative information is not yet available include; percentage of residential places occupied by children that are single rooms, litigation claims and refuse collection complaints.

155. However, a number of council services remain among the poorest performing eight councils in the country with deteriorating performance since 2002/03. These are; council tax or housing benefit administration costs, requests for building warrants and processing times for all planning applications. There are also examples of other service areas showing poor performance where comparative information is not available. These include; percentage of council and private bridges that failed to meet European standard, access to public buildings by disabled people and the cost of refuse disposal.

## Council services

### Education, Culture and Sport Services

156. Overall the Education, Culture and Sport service performs well. Educational attainment is consistently above the Scottish average in all areas, including the proportion of looked after children achieving



standard grades. The council is continuing to build on these high standards of attainment and achievement through a range of projects including Flexibility in the Curriculum and a Support for Learners framework.

157. The service was subject to an HMIe inspection in 2001 with a follow up report published during 2003. The report concluded that, following significant changes to the structure and organisation of the Education Service, *“although it was too early to assess the full impact of these changes there was evidence of more effective joint planning and working to improve the quality of services and provide enhanced opportunities for pupils to raise their levels of achievement”*.

158. Of the eight main action points from the initial report, four were judged to have made *very good progress* and the others were identified as having made *good progress*:

**Very good progress:**

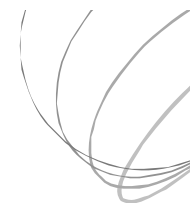
- prepare and implement programme of best value reviews
- programme of staff development and review
- development of a comprehensive integrated planning and budget cycle
- review SLA provision of pre-school education.

**Good progress:**

- improve approaches to performance monitoring and measurement
- develop system for reporting of management data
- review administrative provision at area level
- improve arrangements for property maintenance and asset management.

159. The service has made use of Public Private Partnership (PPP) funding for its 21<sup>st</sup> century schools programme. The first programme was valued at £17 million and resulted in four new schools. An ambitious PPP2 programme has recently been approved, which will result in an additional 11 new schools being developed.

160. The service has a history of introducing innovative projects, including: the hi-life card aimed at encouraging residents to make use of local amenities; the Am Baile project, a resource for anyone interested in Highland history, culture and language; and a successful pilot aimed at encouraging more people to undertake teacher training via distance learning.



161. The performance of Leisure and Libraries is mixed; for instance attendance at indoor pools is good, while attendance at indoor leisure facilities is poor but improving. Similarly with libraries, the number of issues per borrower and adult stock turnover are among the top eight performers in the country, although the performance trend for stock turnover between 2002/03 and 2004/05 is one of deterioration. Equally, stock turnover for children and teenagers deteriorated by more than 15 per cent between 2002/03 and 2004/05.

## **Integrated Children's Services**

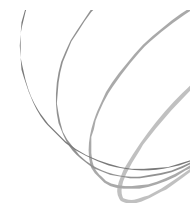
162. The service developed a national framework for integrated children's service planning in partnership with the Scottish Executive that is now being applied by authorities across Scotland. The Highland plan aims to be an active tool, and is exclusively web based to enable targets to be revised to meet changing needs. A new, comprehensive quality improvement framework is being developed alongside this. This is a good example of the council meeting its own improvement priorities and contributing to the improvement of other public services.

163. Operational management of integrated children's services is more ad hoc, and relies heavily on the head of service to take on the management of new initiatives in the first instance. Given its strategic importance, it is important that the head of service post is not too closely involved with operational responsibilities as this runs the risk of missing important strategic development opportunities.

164. A recent inspection of child protection services in the Highlands by HM Inspectorate of Education (HMIe) highlighted a number of strengths, including: the effectiveness of early intervention services; good communications; professional commitment; voluntary sector service quality and clarity of vision. Equally, the report recommended five areas for improvement: user involvement in decision making and policy development; improved record keeping; improved arrangements for medical examinations; prioritisation of child protection work amongst agencies and improved evaluation of effectiveness by the Child Protection Committee. The council is responding positively to the recommendations and action is underway to address them.

## **Social Work Services**

165. Statutory performance indicators for 2004/05 provide a mixed picture of service performance, with improvements in the levels of qualified staff in children and adults' care homes, probation breaches, and maintenance of the best performance of all councils in relation to privacy in children's care homes. On the other hand, the percentage of single rooms in adult care homes, weekend home care for older people and management of new probationers remained within the lowest performance quartile of all Scottish councils when compared to 2003/04.



166. Weekend home care services were provided for 966 people aged 65+ during 2004/05 ranking Highland 26th out of 32 Scottish councils. The council, like many others, is targeting its home care resources on those in greatest need, and this may have a bearing on the levels of home care reported as a whole. The level of public satisfaction with home help services increased substantially in the 2005 Performance Survey from 19 per cent in 2004 to 27 per cent in 2005.
167. Staff sickness levels are the highest in the council at 7.49 per cent of days lost in 2004/05, and some staff report being over-worked. A review of workloads was underway at the time of the audit, and the review group was due to report in the near future.
168. The service faces a great many challenges in providing high quality, cost effective care homes in sparse rural areas and ensuring these meet national registration standards. The service has carried out an options appraisal on the future provision of care homes and is currently tendering for 160 care home places in four areas. The model developed by the council will result in a substantial re-balancing of its care provision with fewer care homes, and greater home care and extra care housing.
169. A culture of continuous improvement is now developing within the service, but the message is not being communicated adequately to all front line staff. Management training programmes are in place across the service. A first line managers' programme focused on basic management competences is underway, and all second and third tier managers have completed, or are participating in, the council's MDP3 or MDP4 management development programmes.
170. The 2004/07 Service Plan illustrates the contribution the service will make to the corporate objectives. While the plan is viewed as an active tool for improving service quality, it contains few SMART targets, costings or details of lead officers and improvement actions do not correspond directly with the areas identified for improvement. These are weaknesses that could be easily addressed to make the plan a more robust management tool.
171. The Social Work Service is ambitious about the use of Information and Communications Technology, and is working with the council's ICT providers to improve its management information and reporting system. This will enhance current monthly reports and provide a greater breadth of performance information than is available via SPI analysis alone.

## Housing Services

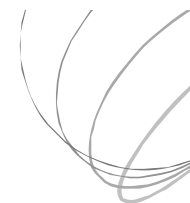
172. Statutory Performance Indicators, and the council's own performance information, show there is an overall improvement in the performance of the Housing Service in recent years. There is a continued improvement in the levels of rent lost through voids, with the figure for 2004/05 down to 1.8 per cent from 2.3 per cent in 2002/03, with a target of 1.35 per cent by March 2006. The time taken to relet houses fell from 74 days in 2002/03 to 67 days in 2004/05. The service has set a target that by March





2006, 95 per cent of housing allocations will be processed within 28 days. The signs are that good progress is now being made towards this. The average time to complete a council house sale has also improved, down from 30 weeks in 2003/04 to 28 weeks in 2004/05.

173. However, there are also some less positive trends. The performance of response repair services is not improving, and although customer satisfaction with completed repairs meets the council's target of 98 per cent, the proportion of repairs completed at the first visit is below the target of 93 per cent, at 89 per cent.
174. The number of households assessed as homeless increased to 1,723 in 2004/05 from 1,613 in 2003/04, and the average time taken to deal with homeless households was 12.7 weeks in 2004/05, up from 11 weeks in 2003/04. Of particular concern is that 14.5 per cent of households represented themselves as homeless or potentially homeless during 2004/05, compared with 8.7 per cent during 2003/04.
175. The Housing Service faces a number of major challenges including a considerable pressure on affordable and appropriate housing, a rapid increase in the number of homelessness presentations and high levels of fuel poverty. Over six per cent of homes across the council area are second or holiday homes, while council stock has reduced under right to buy legislation by approximately 600 houses per year for the past ten years. Identifying land appropriate for development is restricted by issues such as access to utilities and only 2,000 affordable homes have been built during the last decade.
176. The total council housing stock in 2003/04 was 15,459, with 10,342 applicants on the waiting list. The council sees this as a major social issue and constraint on economic growth and is undertaking a range of work to try to address this. Through these efforts it is anticipated that there will be a substantially higher level of new affordable housing built over the next five years than in the previous five.
177. Because of the pressures on its housing stock, the council is heavily reliant on temporary bed and breakfast accommodation. It recognises this is an undesirable, expensive and often inappropriate solution for people in housing need.
178. The council is planning to transfer its housing stock to a new provider through the Community Ownership Programme (COP) sometime in the next two years. This depends on a tenants' ballot, due to take place in the autumn of 2006. The council has met the standard of consultation with tenants required by the COP.



## Property and Architectural Services (PAS)

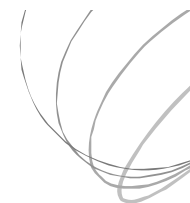
179. PAS provides the chief executive with a quarterly performance review based on Department of Trade and Industry Key Performance Indicators. The review is highly detailed, but its focus is on operational business and it is difficult to judge the strategic performance of the service.
180. The service plan has good linkages to the corporate and community plans and is prepared on a team by team basis, although there are few opportunities for staff participation in its production prior to approval. The service plan is comprehensive, but it focuses on activity and performance, rather than on how the service plans to reshape and improve for the future. The action plan is not SMART, and therefore provides a limited basis on which to guide future action. The plan's value as a management and monitoring tool is therefore limited.
181. There has been little significant change to the organisation of the service at area level since local government reorganisation, and staffing configurations vary significantly from one area to another. There is evidence that some area based staff are resistant to change, and that first line managers do not drive continuous improvement at the area level. Professional staff feel de-skilled by new methods of working, for example in relation to the schools PPP programme, where major design projects have been outsourced to private developers. This means that PAS officers are unable to apply and develop their own skills on what are perceived to be more prestigious and high profile projects.
182. In spite of staff dissatisfaction, some change and improvement is evident within the service. For example, architectural technicians have retrained as project managers recognising the increasing importance of this area of the service's activity; PAS currently monitors 400 contracts per year using corporate contract monitoring standards. Changes in workload volume have meant the service has been able to reduce its level of fees income from 21 per cent to 12.5 per cent, more in keeping with the industry standard and more cost effective to the council.

## Planning and Development Services

183. The planning and development service has a wide ranging remit which, in addition to planning, economic development and building control, also includes archaeology, fisheries, forestry and the countryside. Service performance measured through statutory performance indicators is variable. For example, the processing time for all planning applications dealt with within two months is in the lowest quartile of all Scottish councils, and has deteriorated since 2002/03. This reflects the fact that the council receives a larger number of planning applications than any other Scottish council, together with the high numbers of vacant planners' posts in the council. A recruitment campaign is underway to alleviate workload pressures.

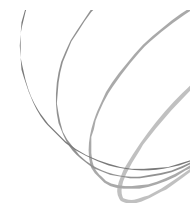


184. Likewise, the percentage of requests for a building warrant responded to within 15 days is in the lowest quartile of all Scottish councils and alongside the percentage of building warrants issued within six days has deteriorated since 2002/03. Conversely, the average time taken to respond to a request for a completion certificate and the percentage of completion certificates issued within three days have both improved since 2002/03.
185. Fifty-three per cent of staff took part in the 2005 employee survey; 55 per cent reported satisfaction with their job, but only 49 per cent reported satisfaction with morale. Concern over workload was highest of all council services in Planning and Development with 36 per cent of staff reporting they have too much to do.
186. The service is highly decentralised reflecting the geography of the area. This combined with the flexibility offered by the council's planning policies which are designed to encourage inward migration can lead to inconsistencies in planning advice at the area level. The director is aware of these issues and is monitoring the situation.
187. The council is consulting on the possibility of a new community to the east of Inverness on the A96. This includes establishing a new town as well as increasing the size of existing settlements, creating better links with Inverness Airport and commercial and leisure opportunities. This forms part of a 30-year vision for the area and represents a significant demand on the service's resource and capacity during this period. It is important that the service makes good use of its service planning process to assess the impact of this development on its resources in the medium and longer term.
188. The service has been successful in obtaining recognition for its quality; for instance it has received a number of Planning Quality awards. Most recently, an award has been received for the council's community development project in Pulteneytown, Wick. Previous awards have been received for the East Gate Shopping Centre, Inverness; Cairngorm Funicular and affordable housing at Applecross. The diversity of the service is illustrated by its hosting of an annual archaeology week which comprises a wide-ranging programme of events including walks, talks, exhibitions, workshops, conferences, music and film.
189. Prior to reorganisation, predecessor councils established two companies to support enterprise and stimulate employment through establishing and expanding viable businesses throughout the area. A recent restructuring exercise has amalgamated both into one company, Highland Opportunity Ltd, to enable the business development work to be carried out efficiently and effectively. Together the companies have invested more than £10 million as lenders of last resort, and have helped save and create over 3,000 jobs.



## Transport, Environmental and Community Services (TECS)

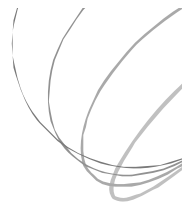
190. TECS incorporates a broad spectrum of responsibilities from roads and transport, waste management, regulatory services such as trading standards through to community services such as refuse collection and grounds maintenance. Statutory Performance Indicators, the director's local performance information, and service level agreement monitoring for refuse collection, street cleaning, public convenience cleaning and grounds maintenance indicate that, overall, TECS is performing reasonably well.
191. There are signs of significant improvement in the approaches to developing and managing operational plans and performance. The directorate has encountered long-term difficulties in recruiting particular professionals such as engineers, which is a national problem, and this has had a knock on effect on the performance of particular service areas. The service recognises that tackling these problems requires long term solutions, and it is working with local schools and colleges and providing job experience as a means of encouraging young people into these areas of work.
192. Road repairs and pot holes are high priorities for the public, who reported high levels of dissatisfaction in the council's performance surveys in 2004 and 2005. In contrast, the National Roads Condition Survey suggests the council is doing reasonably well. The percentage of the roads network that should be considered for maintenance treatment has reduced from 38.9 per cent in 2003/04 to 30.5 per cent in 2004/05 reflecting significant funding received from the Scottish Executive. However, the service is not complacent about this and recognises that in an area the size of the Highlands, a relatively low percentage of the roads network requiring maintenance could add up to a very substantial mileage of repairs.
193. There are significant concerns around the condition of other elements of the physical infrastructure including bridges, harbours, piers, flood controls and drainage culverts. Although the service is committed to taking forward remedial works where required, progress has been slow and limited. The council needs to ensure that the safety and sustainability of communities is not put at risk as a result of the pace of works.
194. The net cost of refuse collection per property in 2004/05 was £56.91, placing the council 21<sup>st</sup> out of 32 in Scotland. This cost reflects the geography and settlement patterns in the sparsest Highland areas. The council's 2005 performance survey indicates that more than 60 per cent of residents responding were either satisfied or very satisfied with refuse collection, although this result may have been affected by the impact of industrial action taken by refuse staff shortly before the survey was undertaken. Statutory performance indicators for 2004/05 indicate that the number of complaints about refuse collection received by the council was 8.1 per 1,000 households, compared to the Scottish average of 35.9 per 1,000 households.



195. The net cost of refuse disposal in 2004/05 was £101.05 per property, placing the council 31<sup>st</sup> out of 32 in Scotland. This includes the disposal of domestic, commercial and bulky domestic waste. Changes in processing to improve recycling is a major factor in this, but the council now has very limited landfill capacity and the larger proportion of waste disposal being contracted out is contributing to this high cost. The council is in the third year of its waste disposal contract; where previously it generated income of £400,000 per annum from waste disposal, it now has an annual cost of £5 million. This is a significant increase in the cost of providing the service and it is an area that the council needs to review closely to ensure that it can demonstrate that it is obtaining value for money.
196. Despite significantly increased levels of recycling and the associated costs to the council, the percentage of waste recycled, at nine per cent in 2004/05, is still significantly below the Scottish average of 17.6 per cent. As a consequence the council is lagging behind the Scottish Executive's 2006 target to recycle 25 per cent of waste, and it has agreed with the Executive a revised target of 17.6 per cent. The council is confident of meeting this target.

## Customer care

197. The council has recently appointed a new customer service manager. Among her top priorities will be the development of a corporate customer care strategy. This will ensure that the council has in place a comprehensive set of corporate customer care standards for application across the Highlands for the first time.
198. The council's principal point of contact with the public is through the Service Point Network (SPN). The SPN was established in 1996 to provide advice and information to the public through direct access drop in facilities. The council has 37 Service Points located across the Highlands. These range from High Street shop fronts to rural community centres. Their work is primarily focused on council services, and the SPN acts as a payment point for rent and council tax. The volume of enquiries dealt with by Service Points varies from one area to another, but the main office in Inverness deals with up to 600 enquiries per day. This is a good example of how the council has responded to the needs of its customers and taken account of the context within which it operates. There are some good examples that illustrate how the network has responded to its customers' needs. For instance, in Inverness, customers complained at the length of time it took to make payments, so the Service Point introduced an electronic queuing system and a separate payments desk to solve the problem.
199. A call centre has been established in Alness to deal with telephone enquiries from customers in Ross and Cromarty, and increasingly from Inverness, on a pilot basis. The centre is operated by staff redeployed from parts of the SPN, and deals with general enquiries, administration of the blue badge scheme and bulky uplift requests. With the delayed introduction of the Customer Relationship Management scheme progress has been slow. However, key personnel are now in place, and this



should accelerate the pace of development. Although there is no clear strategy in place to develop the service, there is scope to do this as part of a wider review of customer services. There would appear to be widespread support for this type of initiative from the public, who reported in the 2005 Council Performance Survey that while only 60 per cent normally used the telephone to contact the council, 81 per cent would use it as their preferred means if all options were available to them.

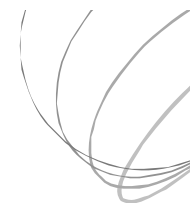
200. Some services consult the public as part of their planning processes. It is less clear, however, how far their contributions influence final plans. For example, the Housing Service has developed a reasonably comprehensive tenant participation strategy, but there is little evidence of its impact. The council has work underway to develop an implementation plan.

201. Equally, there are suggestions by community organisations that the council has not taken the opportunity to properly consult the public on major plans before these are approved. A recent example is the protest from community organisations about the council's plans to create a new town over the next 30 years along the A96 between Inverness and Nairn.

202. In Inverness, there are also some good examples of innovation designed to bring the council closer to local communities. For instance, as part of its community learning and development planning process, the council has been conducting community participatory appraisals (CPAs) to gauge local peoples' views on the priorities for their areas. By April 2005, 13 appraisals had been carried out in different parts of the Inverness area, and over 3,000 local people had been surveyed as part of the process. Further CPAs are planned for the remainder of 2005.

203. The CPAs generated valuable information about local needs with the most popular topics emerging including: activities for young people; transport; shopping; learning; and community facilities. CPAs provide a useful source of local intelligence on the views of local residents. Over time, such tools are useful in allowing communities to provide a more evidence based rationale for local investment bids, and potentially enabling the area to exert a greater degree of influence over council investment priorities.

204. A small number of people who completed the 2005 Performance Survey commented on how their complaints had been handled by the council. While this showed an overall increase in satisfaction from previous years, 63 per cent were either fairly or very dissatisfied with the council's handling of their complaint. Elected members have also commented on the need for the council to improve on this aspect of service delivery.



## Part 4: What needs to improve?

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The council has made a strong commitment to improving its services, and there is evidence that its efforts over the past 12 months are beginning to pay off. An improvement culture is beginning to emerge and further drive from the corporate centre will ensure that this spreads further into council services not yet reaching their potential. Delivering the degree of improvement that the council still needs to make will require the continuing focus of elected members and the senior management team.

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### Developing an improvement culture

205. Continuous improvement in public services and local governance lie at the heart of the Best Value and Community Planning policy framework. Local authorities must develop an improvement culture across all service areas. Elected members and officers must focus on key policy objectives and the needs of service users and communities, and be driven by a desire to achieve the highest possible standards in service delivery. This requires a culture where areas in need of improvement are identified and openly discussed and in which service performance is constructively challenged.
206. The Highland Council's self-assessment highlighted a wide range of corporate and service improvement priorities, and committed the council to a number of high level improvement initiatives, anticipating a series of improved processes being in place in advance of new organisational arrangements in 2007. The council made a strong commitment to improving its performance corporately and at service levels.
207. There is a degree of consistency in the areas the council identifies for improvement, and those identified by our audit, including: better alignment between budgeting and service planning; better asset management planning; and improved public performance reporting. We have identified other important themes that we consider to be immediate priorities, such as: reviewing its political and managerial structures; clarifying its priorities and focus; supporting the strategic role of elected members; and corporately developing the workforce.
208. While the council had broadly maintained its overall performance level in recent years, there is evidence of significant improvements in some areas between 2003/04 and 2004/05. We believe this may be a result of the council's decision to focus greater attention on poorer performing service areas over the last year. It is important that the council builds on this approach as a means of further embedding continuous improvement principles across all services.



209. A culture of continuous improvement is beginning to emerge, demonstrated by service planning and departmental initiatives. There is also some use of external benchmarking, but there is scope to extend this approach much more widely. The recently formed corporate performance team provides an indication of the council's intention to provide central drive and direction to this agenda across the council.

210. There is no doubt that the context within which the council delivers its services, especially in the super sparse areas, is challenging. It is important however, that the council is able to clearly demonstrate to the public why some of its services are more expensive, what steps it has taken to make services more efficient and why it has selected one form of service delivery over another. This will help ensure that the public has confidence in the council's decisions. Despite the high cost of service delivery in parts of the council area, the average Band D council tax was lower than the national average in 2005/06.

211. The improvement agenda below sets out a number of immediate and medium-term priorities. These aim to build on the momentum that already exists. We believe the council has the capacity to make the change it needs to. This agenda will provide the basis for action and monitoring by the council's external auditor over the coming three years.





## Improvement agenda for The Highland Council

### Immediate priority

- Review the political and managerial structures with a view to retaining the best features of existing local arrangements and addressing the variation, inefficiency and duplication.
- Develop a more focused set of priorities linked to the council's articulated long-term vision.
- Continue to develop better integrated service and financial planning framework based on priorities.
- Support and enhance the strategic leadership role of elected members.
- Improve the focus on continuous improvement through improved performance reporting and scrutiny.
- Introduce a corporate asset management planning strategy.
- Develop workforce planning to support the development of capacity to meet future service demand.
- Continue to focus on the areas of poorer service performance to deliver improved outcomes.
- Maintain the focus on equal opportunities, sustainability and customer care, building on achievements made to date.

### Medium-term priority

- Further develop Public Performance Reporting to ensure it provides a balanced account of the council's performance, reported in a variety of accessible formats.
- Develop meaningful local performance information.
- Build on existing strong joint working and community planning frameworks to develop more effective, outcome focused, measurable action.
- Improve the council's focus on delivering services that can demonstrate value for money within the Highlands context by addressing competitiveness of services and trading operations.

# Highland Council

## The Audit of Best Value and Community Planning



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