

Best Value 2 pathfinder audit

The Highland Council



Prepared for the Accounts Commission
May 2010

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 44 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Commission findings



- 1.** The Accounts Commission accepts this report from the Controller of Audit on The Highland Council's performance of its statutory duties on Best Value and Community Planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the council is improving well and that it is well-placed to deliver future improvement.
- 2.** The Commission gratefully acknowledges the co-operation provided to the audit team by the elected members, chief executive and other officers of the council and its community planning partners, in particular for their constructive approach to being a pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.
- 3.** The council benefits from strong political and managerial leadership. We particularly welcome evidence that elected members now provide clear and consistent community leadership and strategic direction, combining concern for local issues with a shared ambition around the significant issues for the community as a whole. The Commission welcomes the fact that changes to committee structures and managerial arrangements have allowed this leadership to improve over recent years through a period of electoral change.
- 4.** The council is strongly focused on issues which matter to local people, is generally delivering good quality services, and is making progress with its partners in delivering improved outcomes which meet the needs of its diverse communities. Overall, there are high and improving levels of customer and citizen satisfaction with its services. Some improvement is required in areas such as adult social work and management of housing rent arrears.
- 5.** The council works well with its partners at a strategic level. The Commission welcomes the evidence of effective partnerships and the active engagement and community leadership exercised by elected members and senior managers in a variety of structures.
- 6.** The Commission welcomes evidence that the council has made tangible progress on areas of improvement identified in the first Best Value audit in 2006. A culture of continuous improvement has developed and deepened, and the council now has a clear awareness of its improvement needs based on feedback from communities.
- 7.** We welcome the evidence that the council is aware of, and working on, the challenges for its future financial planning. We encourage the council now to improve its performance management capacity and ensure that it has effective mechanisms to test value for money and provide robust options appraisal. This is essential to allow the most effective decision-making by elected members when budgets are under increasing pressure. We also recommend that the council should seek to improve its communication with the public specifically on how it demonstrates value for money in its activities.
- 8.** We urge the council to make progress as a matter of urgency on its review of pay, terms and conditions and to resolve continuing legacy issues from former district and regional council structures. These have been outstanding for some years and present a significant financial and staff morale risk. We also recommend that the council continues to develop its staff management processes, for example, by ensuring that absence management and recruitment processes are integrated in the HR system.
- 9.** The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of The Highland Council over the next three years. Local audit and inspection teams will continue to monitor progress. The Commission notes the action taken by the council on issues relating to Caithness Heat and Power, and expects to consider a report on this separately.

Part 1. What is the BV2 audit?



Best Value 2

1. The statutory duty of Best Value in local government was introduced in the Local Government in Scotland Act 2003. In response, the Accounts Commission consulted on, and implemented, the audit of Best Value and Community Planning. The Commission has now published a first phase of Best Value audit reports on all 32 councils in Scotland. Audit Scotland carries out Best Value audits on behalf of the Accounts Commission.

2. Best Value 2 (BV2) is the next phase of Best Value audit. Its approach has moved on significantly from the first phase, which provides a baseline for how Scottish councils are performing, but it is carried out and reported under the same legislative framework. In particular, BV2 audits are:

- more proportionate and risk based, that is, the audit activity in each local council will reflect more closely the particular issues faced by the council and its partners
- founded on a shared risk assessment process that involves colleagues from other local government inspectorates, particularly Her Majesty's Inspectorate of Education (HMIE), the Social Work Inspection Agency (SWIA), the Scottish Housing Regulator (SHR), the Care Commission and NHS Quality Improvement Scotland
- more focused on impact and outcomes
- designed to provide a more rounded view of partnership working in a local area, and the difference it is making.

3. BV2 is an important part of the wider scrutiny arrangements for councils in Scotland. The BV2 audit will be the vehicle for the scrutiny bodies in Scotland to conduct a single corporate assessment in councils. Audit Scotland is working closely with other inspectorates to undertake

a shared risk assessment process for all 32 councils. These allow us to decide the level and detail of scrutiny each council needs and what our audit should focus on. This will enable us to produce an Assurance and Improvement Plan (AIP) for each council. This plan sets out which inspectorates will scrutinise the council in the three years from April 2010, and when they will scrutinise the council.

4. After consulting on its proposals for BV2, the Accounts Commission asked Audit Scotland to develop the BV2 audits through a number of pathfinder audits. These will frame how the rest of the BV2 audits should develop.

5. The Accounts Commission chose five councils to act as 'pathfinder' audits to test various aspects of its proposed approach to BV2. The councils, which provide a mix of geography, size and urban/rural mix, are:

- Angus Council
- Dundee City Council
- East Ayrshire Council
- The Highland Council
- Scottish Borders Council.

6. The Accounts Commission is currently evaluating the BV2 pathfinder process and will be using the findings to refine the audit approach before rolling out BV2 later in 2010.

7. Given the transitional nature of the joint scrutiny planning arrangements in 2009, the BV2 pathfinder audit ran alongside a number of other pieces of planned scrutiny activity. In Highland Council, this included a pilot Validated Self Evaluation of education services which the council agreed to undertake with HMIE, and the Accounts Commission's Best Value audit of Northern Constabulary with Her Majesty's Inspectorate of

Constabulary for Scotland (HMICS). Where possible, this latter piece of work was integrated with the BV2 pathfinder activity.

Shared risk assessment and the Highland Council BV2 audit scope

8. To shape the scope of the BV2 audit, we worked with inspectorates to undertake a shared risk assessment of The Highland Council. This exercise ensured that our Best Value audit approach was proportionate and risk based, focusing on the areas where the audit process could add most value. The council's own approach to self-evaluation was part of this process. The shared risk assessment exercise, which was conducted in June and July 2009, has been revisited and refreshed in early 2010, as part of the roll out of the shared risk assessment process to all 32 councils in Scotland. The issues we have identified in this BV2 report are being fed into the council's AIP, which at the time of writing this report was due to be completed in April 2010.

9. Our risk assessment identified areas of strength within the council and the audit work considered these as potential areas of good practice. The detailed audit assessed the effectiveness of partnership working at both a local and strategic level and the impact of ward forums as a way for engagement with local communities. It also highlighted areas of advanced practice in how the council is responding to sustainability issues, such as safeguarding the environment.

10. The detailed audit work also considered the impact of the changes in political and management arrangements and how effectively the council:

- balances corporate and local aspirations
- uses its resources in a strategic way to achieve its priorities

- has made continuous improvement part of its corporate culture
- tells the people it serves how well it is performing through Public Performance Reporting (PPR)
- uses information about its performance to identify and improve poorly performing services.

Our audit also assessed how well the council meets the requirements of equalities laws and delivers outcomes.

11. Having undertaken the risk assessment for the BV2 audit, we were able to focus on the areas set out in paragraphs nine and ten, above. The main reasons for this were as follows:

- The Highland Council is making progress on areas the first Best Value Audit identified as needing improvement, and has improvement programmes in place.
- It has clearly defined priorities which reflect the need of the Highlands.
- It can demonstrate progress against its commitments in the corporate plan and Single Outcome Agreement (SOA).
- Its corporate management systems and processes are generally sound.
- It uses review processes to help make sure it continuously improves services and can demonstrate progress on several action plans.
- Our external audit team submitted the final audit report for 2008/09 to elected members and the Controller of Audit in October 2009, covering many areas of best value.

- The council's self-evaluation was broadly consistent with the issues emerging from our shared risk assessment work.

About this audit report

12. The first Best Value report on The Highland Council was published in April 2006. The Accounts Commission's findings found that the council had a number of significant strengths such as community engagement, working closely with and taking on board local community views, well-established joint working with the voluntary sector, NHS and other partners, and public satisfaction with its services was increasing. It also found that a culture of continuous improvement was 'beginning to emerge'. The Commission went on to highlight that while the council often delivered appropriate and effective solutions to residents' problems, there was a need for a stronger corporate direction from councillors.

13. The BV2 audit in Highland took place between June and December 2009, with the initial risk assessment and scoping phase taking place during July and August and the detailed audit work carried out in September and October 2009. We have worked closely with colleagues from inspectorates in assessing the risk associated with the council.

Acknowledgements

14. We gratefully acknowledge the co-operation and assistance provided to the audit team by Councillor Sandy Park – convenor, Councillor Michael Foxley – leader of the administration, Alistair Dodds – 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 community planning partners who agreed to participate in the audit. We would particularly like to thank the council for the constructive approach it adopted to being a pathfinder BV2 audit.

Part 2. Summary performance assessment



The council's strong political and managerial leadership, combined with improved political and management arrangements, provide a clear strategic focus and effective community leadership for its range of diverse communities. The council works effectively with its partners and consults and listens to the communities it serves. It generally provides good quality services that are responsive to local communities and customer satisfaction is high. With its partners, the council is making progress in delivering results and improving outcomes.

The council has adopted various methods to help improve how it performs and has made good progress in addressing the areas for improvement from its first Best Value Audit in 2006. It has good awareness of where it needs to improve and the pace of improvement has increased since 2007. However, the methods it uses to improve performance could be more effective and have more impact if its approach was better coordinated and prioritised. The council's financial monitoring arrangements are sound and it has a good record of actively managing its budget. It needs to do more to demonstrate value for money for local communities in the way it delivers services.

Summary conclusions

15. The BV2 performance assessment provides judgements on two dimensions of council performance, described below. More detailed descriptions of each category are in [Appendix 1](#).

16. The Highland Council's pace of change and direction of travel are positive and the council is demonstrating that it is **improving well**. In particular, it can demonstrate:

- a clear vision for the Highlands which is shared by partners and clearly defined in strategic plans

- changed political and management arrangements which have strengthened corporate working and reduced the inconsistency between the eight former district council areas while retaining a local focus and sense of identity
- that the council and its partners are improving services to its communities
- that it provides generally good quality services that are responsive to local communities
- improving performance in important services such as education and child protection
- satisfaction with the council and its services is consistently high and improving
- good progress in addressing the areas for improvement from its first Best Value audit in 2006, and a pace of improvement which has increased since 2007.
- sound arrangements to manage its resources, although improvement is needed in corporate asset management, workforce planning, and demonstrating competitiveness in how it delivers services in the current financial climate
- well-developed arrangements for promoting sustainability and can show good progress on outcomes
- implemented sound processes and structures to progress the equalities agenda
- a strengthening culture of continuous improvement and a good awareness of where further improvement is required.

17. The Highland Council is **well placed to deliver future improvement**. It has:

- a strong, clear and consistent strategic leadership which identifies the area's priorities
- effective political management arrangements, an administration that works consistently and effectively and an effective opposition
- ward structures which provide a basis for good monitoring and scrutiny, working closely and effectively with local communities and delivering area priorities within a more corporate framework
- developed effective partnership working and has made consistent progress in delivering complex cross-cutting strategic local outcomes with partners and has good service performance overall

Part 3. Areas for improvement



18. The Highland Council has made good progress on making the improvements highlighted in its first Best Value Audit of 2006. The council shows a good awareness of where it needs to improve and has many elements of an effective continuous improvement culture. It has adopted various methods to improve how it performs, such as best value reviews, its Corporate Improvement Programme (CIP) and some service self-evaluation models. These have led to efficiencies and other improvements. But the council needs to:

- assure itself that its improvement activity is being prioritised and coordinated effectively within an overall improvement framework to ensure maximum impact and better demonstrate how its performance management arrangements are driving improvement
 - with partners, improve the management of performance for outcome areas in the SOA, through the development of improved monitoring, challenge and reporting arrangements
 - have more effective arrangements in place and be more consistent and challenging in its use of options appraisal to assess whether it is achieving Best Value for local communities and explaining the choices made
 - increase the pace of change in some CIP work streams, in particular relating to human resources system implementation, mobile and flexible working and customer engagement
 - strengthen the communication links between the strategic and local partnerships and complete the review of partnership arrangements to deliver the SOA outcomes
- improve performance in parts of some services, for example in adult social work and the management of council housing rent arrears.

Part 4. Local context



The scale, geography and changing demographics of the Highland area present significant challenges to, and opportunities for, the way that the council and its partners deliver services. The Highland Council's political and management arrangements have changed significantly since 2007. These have helped to provide it with a clearer, more consistent direction and improve the way that it conducts business for the benefit of the Highlands.

Highland

19. Highland covers the largest land area of all Scottish local authorities, comprising 33 per cent of the Scottish land mass, and includes 14 inhabited island communities (Exhibit 1). It has a population of 219,400, which is 4.2 per cent of Scotland's population. Its population has grown in the past ten years by 4.3 per cent, higher than Scotland's growth rate. Population estimates suggest the population will increase by 18 per cent between 2008 and 2033, with increases in people of pensionable age projected to be significantly higher than the Scottish average. The population is dispersed, with nearly three-quarters classed as living in rural locations and around 26 per cent living in 'super sparse' areas.

20. In some areas of life, Highland compares favourably with the rest of Scotland:

- Economic activity and deprivation: a greater proportion of its working age population is economically active. Unemployment and long-term unemployment are lower than average. The proportion of people claiming housing benefit and Department for Work and Pensions benefits, including incapacity benefits and income support, is lower than average, though this is rising.
- Educational attainment: this is higher in Highland than the Scottish average and the

proportion of people not in education, employment or training (NEET) is lower.

- Health: life expectancy is higher in Highland than in Scotland generally. Hospital admissions for drug misuse are comparatively low, and teenage pregnancy rates are lower than the Scottish average.
- Crime and disorder: the number of recorded crimes and offences is slightly lower than the Scottish average and clear-up rates are higher.

21. In other areas Highland compares less favourably with the rest of Scotland:

- Economic activity and deprivation: average earnings are five per cent lower than the Scottish average and the workforce profile is quite different. A larger proportion of people in Highland are employed in tourism-related services than in Scotland as a whole and small enterprises account for 93 per cent of the businesses in the area. Sixteen data zones – areas used to allow levels of deprivation to be measured and compared – are in the 15 per cent most deprived in Scotland (the 16th highest in Scotland) and 29 per cent of the Highland population suffer from fuel poverty.
- Transport and access to services: the area's geography means that access deprivation – the financial cost, time and inconvenience of having to travel to access basic services – is higher than most local authorities in Scotland. Forty-three per cent of all data zones in Highland fall within the 15 per cent most access-deprived in Scotland. Only four local authorities experience higher access deprivation.
- Affordable housing: home ownership and private renting is more common in Highland than

in Scotland and house prices are higher than the Scottish average.

- Health: hospital admissions for alcohol misuse in Highland are considerably higher than the Scottish average.

The council

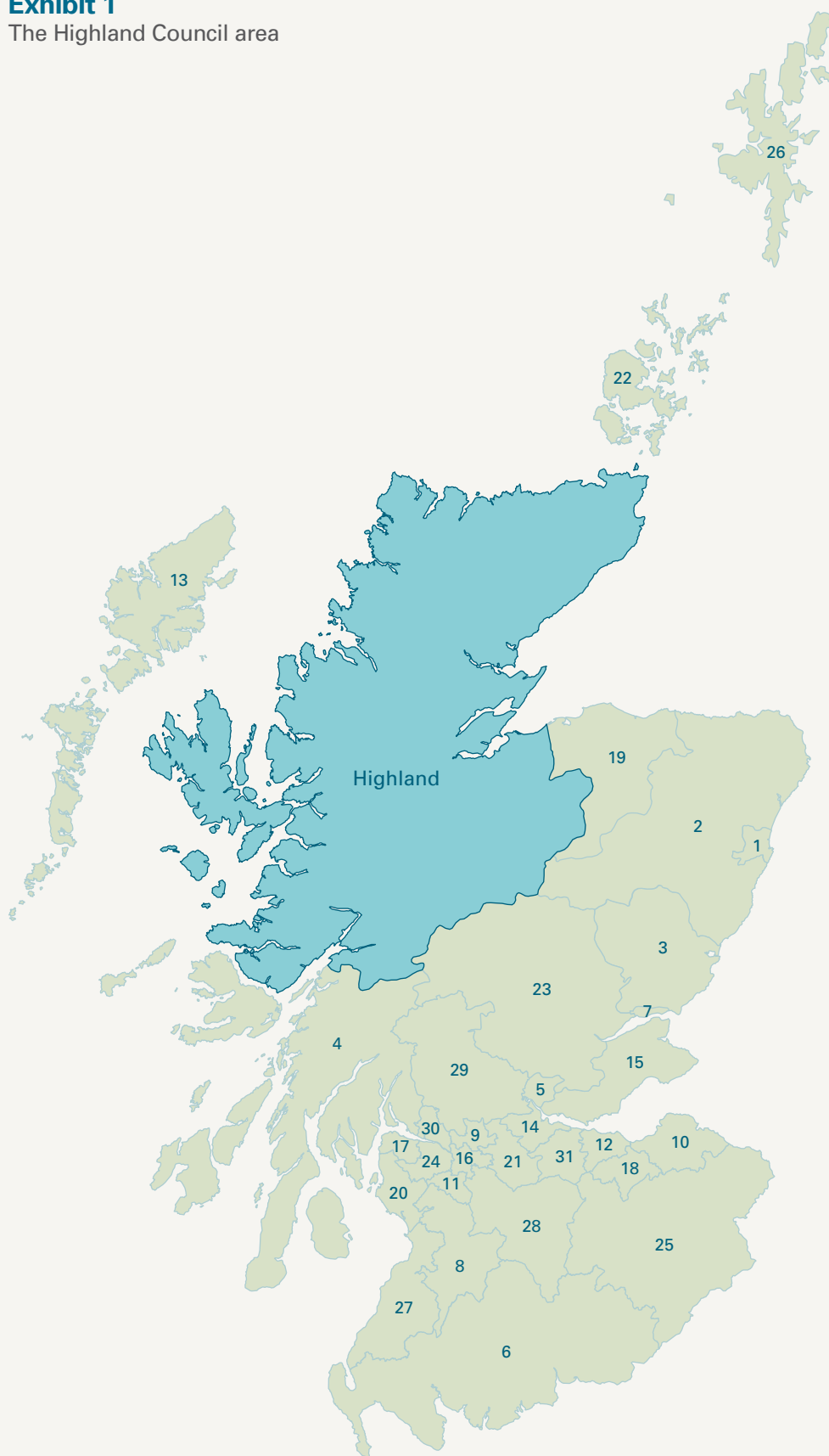
22. The Highland Council has 80 elected members, representing 22 multi-member wards. Its political representation is made up of a 25-member Independent Group, 22 Liberal Democrats, 17 Scottish National Party (SNP), seven Labour, five in the Independent Members Group and four members of the Independent Alliance Group.

23. Following the May 2007 local government elections, the council formed an Independent and SNP administration and set out a programme that contained 98 commitments. The SNP members resigned from their position in June 2008 and a new administration was formed after the summer recess in August 2008 and continues in power. This administration comprises members of the Independent Group, Liberal Democrats and Labour. Its programme 'Strengthening the Highlands' was agreed by the council in September 2008 and reviewed in September 2009. The performance framework for it was approved in October 2008 and refreshed in October 2009. It contains 112 commitments covering children and families, communities and older people, the economy, environment and more effective and efficient public services.

24. The current and previous administration share a broad consensus on the political priorities for the Highlands. Their administration programmes cover many of the same issues and priorities and this has provided continuity for partners and staff in delivering on key priorities and objectives.

Exhibit 1

The Highland Council area



Local authorities

1. Aberdeen City
2. Aberdeenshire
3. Angus
4. Argyll & Bute
5. Clackmannanshire
6. Dumfries & Galloway
7. Dundee City
8. East Ayrshire
9. East Dunbartonshire
10. East Lothian
11. East Renfrewshire
12. Edinburgh (City of)
13. Eilean Siar
14. Falkirk
15. Fife
16. Glasgow City
17. Inverclyde
18. Midlothian
19. Moray
20. North Ayrshire
21. North Lanarkshire
22. Orkney Islands
23. Perth & Kinross
24. Renfrewshire
25. Scottish Borders
26. Shetland Islands
27. South Ayrshire
28. South Lanarkshire
29. Stirling
30. West Dunbartonshire
31. West Lothian

25. The council agreed revised committee structures in May 2007 and now conducts its business through seven strategic committees: Resources; Education, Culture and Sport; Housing and Social Work; Planning, Environment and Development; Transport Environmental and Community (TEC); a Gaelic Committee and an Audit and Scrutiny Committee, which is chaired by an opposition member. In addition there is a Joint Committee for Children and Young People with the NHS and strategic working groups for Climate Change and for Land, Environment and Sustainability Strategy. These arrangements are significantly different from the previous political and management arrangements, which were decentralised and based around the eight area committees based on the eight former district council areas. The council retains an area focus with delegated powers to three area planning committees and three licensing committees and boards for each of the three operational areas. These are Caithness, Sutherland and Easter Ross; Ross, Skye and Lochaber; and Inverness, Nairn, Badenoch and Strathspey. The council also has an Inverness City committee with a remit to 'work with partners to achieve the effective promotion and future prosperity of the City of Inverness and the delivery of efficient and effective services to its citizens'. This restructure of the committees has provided the council with a more strategic approach to carrying out business across the Highlands.

26. In 2008/09, The Highland Council spent £877 million on providing public services with £804 million being spent on revenue services and £73 million on capital. The council's net operating expenditure in 2008/09 was £587 million and, after local and statutory adjustments to remove the effect of capital and retirement costs, the general fund had a deficit of £0.7 million for 2008/09.

Part 5. What are the council and its partners trying to achieve for the Highlands?



The Highland Council, its partners and local communities benefit from strong partnership working and share a broad consensus on the strategic priorities for the area. They have a clear vision for the area and have set clear objectives. The SOA, supported by other strategic plans, provides a clear framework and improvement plan for partners to achieve their objectives.

Partnership working is effective and the council works well with its partners to involve local communities in responding to local needs and concerns. There is a strong focus on things that matter to local people.

What are the council's and its partners' key objectives?

27. The council, its partners and local communities benefit from an ethos of strong partnership working and there is a broad consensus on what the main priorities are for the area. The clarity of these priorities helps the council and its partners focus their activity. The Highland Community Planning Partnership Performance Board includes; the council, NHS Highlands, Highland and Islands Enterprise, Northern Constabulary, Highlands and Islands Fire and Rescue Service, Scottish Natural Heritage and the Scottish Government. Other community planning forums operate at both Highland-wide and local levels and include representatives

from the third sector and business communities, for example the environment forum, community care stakeholders forum and ward forums. In their first SOA the partners identified 53 local outcomes to support the main outcome areas. For their second SOA, the partners have agreed five key themes and 15 local outcomes. These are outlined in [Exhibit 2](#). Progress on these outcomes is measured by 167 indicators, along with local examples of community planning and the benefit delivered at the local level.

28. The SOA is seen by the council and its partners as the improvement plan for public services in the Highlands and builds on the Community Plan for Highland

Exhibit 2

Highland Community Planning Partnership: main themes and outcomes

Theme	Outcomes
Sustainable Highland communities	<ol style="list-style-type: none"> 1. People across the Highlands have access to the services they need. 2. People are, and feel, safe from crime, disorder and danger. 3. Our communities take a greater role in shaping their future. 4. Public services are delivered effectively, efficiently and jointly.
Safeguarding our environment	<ol style="list-style-type: none"> 5. Our natural heritage is protected and enhanced enabling it to deliver economic, health and learning benefits. 6. Carbon emissions are reduced and communities are protected from the consequences of changing weather patterns.
A competitive, sustainable and adaptable Highland economy	<ol style="list-style-type: none"> 7. The impact of the recession is limited and sustainable economic growth is supported. 8. Growth in the knowledge economy is supported by achieving university title for UHI in three years. 9. To support the economy access is improved to housing, transport and high speed broadband. 10. More people are supported into employment.
A healthier Highlands	<ol style="list-style-type: none"> 11. Healthy life expectancy is improved especially for the most disadvantaged. 12. The health and independence of older people is maximised. 13. Attitudes and behaviours towards alcohol and other drugs are changed and those in need are supported by better prevention and treatment services.
Better opportunities for all/ a fairer Highland	<ol style="list-style-type: none"> 14. The impact of poverty and disadvantage is reduced. 15. The cycle of deprivation is broken through intervention in early years.

2004/07. The council administration's programme 'Strengthening the Highlands', its corporate plan and individual service plans provide an effective planning framework and reflect the SOA priorities. This enables the council and its partners to clearly focus their activity on providing their services. The partners' plans and strategies also complement, where appropriate, the themes outlined in the SOA.

How focused are they on the main challenges for the area and things that matter to local people?

29. The council and its partners demonstrate a good understanding of the area's challenges and opportunities, which are reflected in their SOA priorities. The area's challenges include: an increasing elderly population, the impact of the recession on the local economy, job opportunities and deprivation. Because the area is large, remote and has a highly dispersed population, important issues include improving transport links, people's access to services, affordable housing and improving health. There is a keen interest in environmental issues, which reflects the context and geography of the area.

30. Highland has several local area partnerships that demonstrate effective partnership working for the benefit of local communities. For example, the Caithness Partnership held a high-profile conference involving over 150 stakeholders to discuss progress on an action plan to counter the effects of the decommissioning of the Dounreay nuclear plant. The Nairnshire Partnership is developing a local tourism strategy. In September 2009, the Sutherland Partnership held a summit involving ministers from the UK Government, the Scottish Government and local community representatives. The main aim was to identify opportunities and challenges for the area and to prepare an action and development plan looking at short, mid and longer-term priorities.

31. The council works well with its partners to involve local communities in responding to local needs and concerns. It has effective structures in place that allow elected members and local communities to influence priority setting for the council. An example of this was a local traffic calming issue which became a council-wide commitment. The ward structures provide a good opportunity for elected members, officers and partners to consult local people and take local views into account (Exhibit 3, overleaf).

32. The council works with local communities in a number of ways. As well as ward forums there are special interest forums such as those for community care users and carers, the environment, local access, the economy and young people. Engagement on issues for young people is particularly strong, with 'Highland Youth Voice', a paid Youth Convenor post, active pupil and parent councils and senior pupil interactive consultations. The council also works with community councils and representatives of equalities groups. Capacity building for engagement is supported through tenant participation schemes and through the European Union Leader programme in rural communities. The council was due to add to its range of engagement approaches by setting up a citizens' panel in April 2010.

33. The council's annual performance survey for 2009, carried out independently, showed that the majority of respondents agreed that the council maintains good quality local services, is aware of people's needs and is improving how it listens to local people's views.

How stretching and ambitious are their plans for improvement?

34. The council and its partners make good use of local data and performance information when planning and setting targets. It is still early days for the SOA process, and the council and its partners are

reviewing and refining targets. The current SOA and corporate plan targets are reasonable and realistic based on local circumstances and past performance.

35. The partnership wants to further improve how it identifies, defines, measures and delivers on outcomes. It has identified seven local outcomes for further review, one of the partners leading each review. Each review involves considering and challenging the following:

- The partners' joint working arrangements.
- The partners' joint objectives and what kind of improvement they want each outcome to achieve.
- How each outcome could affect the council's obligations under equality legislation.
- What resources, including funding and people skills, are needed from each partner to achieve the outcome.
- How the outcome will be delivered.
- Measuring how well the outcome is achieved.
- The best way to get communities and other interested groups involved.
- The council's and partners' operational arrangements across the area.

Exhibit 3

The Highland Council ward structures

The council's ward structures promote effective partnership working and community leadership at a local level. They provide the council and its partners with a good opportunity for consulting local people and taking local views into account. They are also a useful way to report on how the council and its partners are performing and to scrutinise services at a local level.

The council established its current ward arrangements in June 2007, setting up forums across the 22 wards. The structures that have evolved include ward forums and ward business meetings. These are managed by ward managers who report to the corporate managers within the chief executive's service.

Ward forums are public meetings held in towns and villages, across the ward, up to six times a year. They are led by the elected members for the area and include representatives of community councils. Partner agencies, such as the police and fire, also attend. The forums are generally effective in consulting local communities and in fulfilling the council's duty to publicly report its performance by allowing local people to scrutinise the performance of the council and its partners. Ward forums have been used to consult on plans and policies such as the Highland-wide development plan, flood alleviation and housing. They have also been used by partners. For example, NHS Highland used the forums to consult on patient transport issues, VisitScotland on tourism and Scottish Water on flood alleviation. Police representatives regularly attend to give an update on community safety.

Forums have also been used to consult and seek the views of specific interest groups such as young people. For example, a youth-themed forum in Lochaber in October 2009 was well attended. The council is using ward forums to consult on the budget for 2011/12 and 2012/13. The public also have the opportunity to ask questions. There is a standing agenda item for the public to do this, although in practice people's questions are regularly taken on all agenda items.

The ward forums that we observed were well attended and open, with good opportunities for those attending to speak or ask questions. The meetings allowed a good exchange of views and provided officers with additional information through local knowledge. Elected members and officers conducted their business well and were non political, the focus being on responding to local issues.

Ward business meetings involve the local ward manager and the elected members in each ward. Officers from locally based council services often attend and sometimes partners are invited to attend to discuss local service issues. For example, in October 2009, at the East Sutherland and Edderton ward business meeting, TransServ attended to discuss local concerns over road safety and maintenance. The meetings we observed demonstrated open discussion on local issues, based on a good understanding of community needs and views. The discussions were constructive and focused on providing solutions and promoted good working relationships between elected members, and between officers and elected members.

Part 6. What has been achieved?



The council and its partners are making good progress overall in delivering improved outcomes, as set out in the SOA. Available data indicates good progress is being made on the majority of outcomes for local communities. The council and its partners are aware of where improvement is needed, such as for a healthier Highlands.

The council generally provides good quality services that are responsive to local communities and customer satisfaction is high. There is room for improvement in the performance of some services such as adult social work and the management of council housing rent arrears.

The council has well-developed arrangements for promoting sustainability and can demonstrate good progress on outcomes in this area. It has implemented sound processes and structures to progress its equalities agenda.

What progress has been made in responding to the area's main challenges, how good are the council's services, and are they improving?

36. The council and its partners are making good progress overall on achieving the outcomes they have identified. Based on their progress they are well placed to maintain or improve on how they meet local priorities. In the SOA1 performance report, considered by the council in November 2009, the partnership indicated that 59 per cent of local indicators had improved, 22 per cent had been maintained, 16 per cent had declined and three per cent lacked data or a base line to analyse trends. For the indicators where the council is the lead partner, 62 per cent of local indicators had improved, 17 per cent had maintained performance, 18 per cent had deteriorated and three per cent lacked data or a baseline for analysing trends.

37. The council and its partners are responding to the need to improve their approach to managing and monitoring performance. They have put in place an SOA Performance Management Group of officers from across the partnership who are responsible for coordinating the performance information. The council is also buying an electronic performance and risk system which will also be used by partners.

38. The council reported its performance against the corporate plan and the 'Strengthening the Highlands' programme in October 2009. For the period April 2008 to the end of March 2009 it reported that 83 per cent of the commitments (93 out of the total 112) were progressing well or were on target. For 18 commitments (16 per cent) there was mixed performance.

39. The council's performance against statutory performance indicators (SPIs) is mixed. Between 2005/06 and 2007/08 performance worsened in 23 SPIs and improved in 27, meaning that the improvement ratio of 1.1 was below the Scottish average of 1.7. However, results for 2008/09 indicate some improvement. The council reported on a total of 57 SPIs in September 2009 and 18 of these had improved while 21 had remained unchanged. Ten indicators had declined, while eight had changed and do not allow for direct comparison. This represents an improvement to decline ratio of 1.6 which indicates improving performance. In 2008/09, the council was ranked in the top quartile for 21 SPIs compared to 12 in 2007/08. The council also reduced the number of SPIs that were ranked in the bottom quartile; from 20 in 2007/08 to 13 in 2008/09.

Sustainable Highland Communities

40. The council and its partners are making positive progress in delivering outcomes under the SOA theme 'Sustainable Highland Communities'. The 2008/09 SOA annual performance report states that performance had improved or remained the same for

87 per cent of the local indicators and declined for 11 per cent. The remaining indicators lack sufficient data to assess performance.

41. The Sustainable Highland Communities theme focuses on access to services, crime, community involvement and efficient public services delivered in partnership. The 16 local outcomes and accompanying 90 local indicators reflect the national outcomes related to crime and disorder, sustainable communities with accessible amenities and services, community responsibility and involvement and high quality, efficient and responsive public services.

42. The council and its partners have invested in local schools, community facilities, transport links and facilities, police and fire services and telecommunications. Across the Highlands, 15 new primary and secondary schools with community facilities have been completed. There is a commitment to building five new care homes, although these proposals are under review and the council will consider a report in May 2010. Investment in lifeline roads and bridges has increased from £0.775 million at March 2008 to £2.507 million by March 2009. There has also been an improvement in limiting the impact of distance from services in rural and remote areas. The number of community transport schemes rose from 17 to 22 and broadband has been extended to all schools. The Pathfinder North Project delivered £70 million shared services in Information and Communication Technologies (ICT) infrastructure across six local authorities. Spending has been maintained on piers and harbours, including an £18 million project at Raasay pier. Five new police stations and three fire stations have been built.

43. The council and its partners have increased the supply of housing, with planning policy enabling the provision of 3,452 houses and an increase in affordable housing from 563 in March 2008 to 815 in March 2009. The council has improved the proportion

of its houses meeting the Scottish Housing Quality Standard (SHQS) from three per cent in 2007/08 to 22 per cent in 2008/09. It has also submitted an updated Standard Delivery Plan to the Scottish Government setting out the investment it has committed to ensure achievement of the SHQS by 2015. There is, however, room for improvement in the council's housing service. Of the nine SPIs that have trend information, five show declining performance. All relate to managing rent arrears. The current tenant arrears as a percentage of the net amount of rent due in the year increased from 7.0 per cent in 2007/08 to 7.3 per cent in 2008/09. The percentage of current tenants owing more than 13 weeks rent at the year end increased from 5.2 per cent in 2007/08 to 5.6 per cent in 2008/09. The proportion of tenants giving up their tenancy during the year and who were in rent arrears increased from 21.5 per cent in 2007/08 to 23.1 per cent in 2008/09. The average number of weeks rent owed by tenants leaving in arrears increased from 9.1 weeks in 2007/08 to 11 weeks in 2008/09. The council having identified rent arrears as a concern in 2008/09, undertook a service review and developed a Rent Arrears Improvement Plan.

44. The council and some of its partners have made progress in supporting the voluntary sector by agreeing a Compact that outlines their approach to joint working. In addition the council has agreed a set of policy principles to guide the financial relationship with the sector. Progress has been made in helping communities to buy land or property for community benefit and increasing the number of communities securing community benefit from renewable development.

45. Most community safety outcomes show a positive trend and good progress has been made in reducing the level of crime and improving the community's perception on safety and crime.

A competitive, sustainable and adaptable Highland economy

46. The council and its partners report good progress against this outcome area with 83 per cent of the 81 indicators showing improvement or no change. The outcomes that relate to this theme include the impact of recession, growth of a knowledge-based economy, business and infrastructure such as housing, transport and high speed broadband and supporting people into employment.

47. The median earning for employed residents living in the area increased from £16,988 at March 2008 to £18,131 by March 2009. Some progress has also been made in creating more balanced economic growth across the Highlands. A baseline has been set for maintaining jobs in Caithness and Sutherland, and for the proportion of the Highlands and Islands Enterprise's investment budget weighted to fragile areas. There has been a significant increase in the percentage of working age people out of work and living in the 15 per cent most deprived areas in the Highlands, where unemployment increased from 1.7 per cent in 2008 to 5.65 per cent in March 2009. This compares with an increase in Highlands overall, from 1.5 per cent to 3.2 per cent over the same period.

48. The council reports a high proportion of young people moving directly into education, employment or training, which improved from a baseline of 84 per cent in 2006/07 to 89 per cent in March 2009. There has also been a significant improvement in the percentage of young people completing apprenticeships from a baseline of 67 per cent to 81 per cent in March 2009. The council has itself increased the number of trainee and apprenticeships to 200, which exceeds its 2010/11 target of 170.

49. Achievement in schools compares well with the national average and with comparator authorities. In primary schools, pupils perform around the comparator average and this improves

to above average by the end of S2 in secondary. At Scottish Qualifications Authority levels 3, 4, 5 and 6, Highland outperforms both national and comparator authorities by the time pupils reach the end of S6.

50. Under the 'What we will do for the economy' corporate plan theme, the council reports that 30 of the 33 commitments are progressing well or are on target, with the remaining three showing mixed performance. Business start-up rates fell from 5.7 per 1,000 population in 2006/07 to 4.6 per 1,000 population in 2008/09, though this would be expected at a time of economic downturn. In addition, the percentage of non-householder planning applications dealt with within two months declined slightly, from 47.4 per cent in 2006/07 to 44 per cent in 2008/09. However, the council receives more planning applications than any other planning authority in Scotland (over 4,000 in 2008/09).

A healthier Highlands

51. The local priorities under this theme include improving healthy life expectancy, maximising the health and independence of older people and better services to prevent and treat alcohol and drug misuse including a change in attitude and behaviours. The partnership's performance in delivering outcomes under this theme was more mixed, with 36 per cent of outcomes showing an improvement, 32 per cent remaining the same and 32 per cent showing a decline. The council and its partners should work together to address areas of shared concern and to improve performance within the partnership.

52. There has been a shift in the balance of care for older people with an increase in the proportion of older people receiving appropriate care to maintain or improve their independence. Fewer people are waiting more than six weeks to be discharged from hospital into an appropriate care setting. The partners reported no one waiting on the date of the 2008/09 census; however, as at 1 March 2010 there were

four people with delayed discharge waiting over six weeks. There was also increased investment in telecare and telehealth projects, with 125 dispersed telecare units in place for enhanced and complex packages and an increase in the number of people with telecare packages in their homes from 305 at March 2008 to 349 at March 2009. The council and NHS Highland acknowledge that a shift in the balance of care continues to be a significant joint challenge for them and are working with the Scottish Government's Joint Improvement Team to address the challenge. In November 2009, the partnership initiated a Transformational Change Programme, and a joint Change Team and 14 work streams have been established. These include a review of assessment processes, the commitment to 'reablement and rehabilitation' across all services, the development of new models of care and support to prevent hospital admission, and to provide speedier means to achieve discharge from hospital. As part of this, the council will be investing an additional £1 million in Care at Home services in 2010/11, which is in addition to the extra £1 million that had already been committed.

53. The partnership's performance in improving services for people affected by mental ill health has been maintained but there has been less progress in reducing the percentage of the adult population who smoke and in reducing obesity.

54. Under the 'What we will do for communities and older people' corporate plan theme the council reports that 18 of the 23 commitments are progressing well or on target. In 2008/09, the council had made available 119 homes suitable for older people and those with disabilities, which brings the total number of homes of this type in the Highland area to 246. The council remains on target to deliver an increase by 2010/11 of 600 homes suitable for older people and those with disabilities.

55. The total number of homecare hours as a rate per 1,000 population aged 65 and over fell by 14 per cent between 2006/07 and 2008/09. However, care was increased for the most frail, and there has been some improvements in supporting the number of older people and others in care in their own homes. Between 2007/08 and 2008/09 homecare at weekends, and in the evening or overnight increased by 22 per cent and 18 per cent respectively.

56. The council's social work service faces major challenges in matching expenditure commitments to the money available in 2009/10. In a report to the Housing and Social Work Committee for the period to 30 June 2009, the service projected a £3.4 million overspend in its budget. It further reported to the Committee in September 2009 that over £3.9 million of the total overspend was for community care. The council has put a budget recovery plan in place and action is being taken to reduce the overspend. As at 31 December 2010 it was reported that the estimated overspend would be reduced to £2.9 million by 31 March 2010.

57. The findings from an inspection of social work services were published in January 2009 by SWIA. This was a follow-up inspection to an initial performance inspection report of May 2007 which contained 21 recommendations. The follow-up report concluded that, 'progress with the 21 recommendations had been variable. Much had been achieved in relation to the management and support of staff and in the development of integrated children's services through Getting it Right for Every Child (GIRFEC). Progress had been slower on a range of mainly community care issues including developing paid employment opportunities for adults with disabilities, communication with the public about services and the development of strategies for commissioning and for carers.'

58. The council and its partners continue to challenge their approach to delivering services and improving partnership working. They were involved in collaboration with the Scottish Government as one of the pathfinder projects for implementing GIRFEC. This is a national programme that aims to improve opportunities for all children and young people in Scotland. The Highland pathfinder was launched in September 2006 with an initial development phase and the programme began to roll out across Highland in spring 2009. This involved the introduction of new assessment and planning processes across the council, streamlining and reducing bureaucracy to achieve a more joined-up approach across all services. An independent evaluation published in November 2009 found that, 'it is possible to identify indications of green shoots which show that real progress is being made in the implementation of the getting it right approach in Highland and that significant changes are becoming embedded in professional practice.' The report identified progress in improving the lives of children and families.

Better opportunities for all/a fairer Highland

59. For this theme the council and its partners have agreed outcome targets to reduce the impact of poverty and disadvantage and to prevent deprivation by targeting children most at risk. Performance is improving, with 71 per cent of the indicators showing an improvement or no change. There was a decline in 23 per cent of the indicators with some no longer being reported while the rest had no data or baseline information.

60. The number of three-year-olds and vulnerable families accessing services supported by the Surestart funding stream increased from 1,186 in March 2008 to 1,497 in March 2009. The council's approach to reducing financial hardship includes ensuring more people can get services and benefits to which they are entitled. As a result the number of customers accessing money advice and welfare rights

services increased from 38,139 in March 2008 to 40,957 in March 2009.

61. The council reports that 18 of the 20 commitments under the 'What we will do for children and families' corporate plan theme are progressing well or on target with two demonstrating mixed performance. The commitments that are progressing well include implementing GIRFEC across Highland, support for foster carers, high levels of achievement in literacy and numeracy for pre-school children, primary and secondary education. There have been increases in the number of young people leaving school moving into education, training or employment (from 84 per cent in 2006/07 to 89 per cent in 2008/09) and in a number of road safety measures around schools. The areas where the council reports mixed performance include slippage in the new schools programme and an increase in the number of placements away from home for looked-after children. However, the number of out-of-authority placements is declining and there has been a reduction in the total number of looked-after children.

62. In May 2009, the council published a report on the performance of its Education, Culture and Sport service. This includes the results of school and pre-school inspections by HMIE. All of the 17 reports for nurseries and playgroups reported a positive outcome (rated as satisfactory or above by HMIE). Of the 22 schools that received an HMIE report, 75 per cent achieved a positive outcome. An HMIE report on Child Protection in the Highlands in 2005 was generally positive. A further inspection was carried out in January 2010 and was due to be reported in April 2010.

63. The council has made significant improvements in attracting visitors to indoor facilities, museums and libraries. There has also been a slight increase in the number of people using learning centres and learning access points, and a 21 per cent increase in adults learning to read and write, from 1,828 in 2006/07 to 2,321 in 2008/09.

What progress has the council made in promoting sustainability?

64. The council and its partners are making excellent progress in delivering outcomes under the 'Safeguarding our environment' theme. In the SOA1 performance report for 2008/09, the partnership reported that 94 per cent of indicators improved or did not change, while the remaining six per cent declined.

65. The indicators measure outcomes linked to protecting and improving the quality of the natural heritage and reducing carbon emissions. The main improvements have been the increased number of eco schools achieving awards, with 89 achieving a bronze award, 62 silver and 28 green flag status. There has also been success in increasing the proportion of protected nature sites, and the number of participants in ranger events.

66. There has been excellent progress in reducing public service energy use and reducing carbon emissions. The targets to reduce energy use and carbon emissions in council buildings by 15 per cent by 2010/11 have already been met. These are being reviewed in light of new legislation. The council has green travel plans in place across 16 sites in the Highlands. There are also positive signs for all the indicators relating to promoting renewable energy. In council buildings, the total installed capacity for renewable technologies is at 1990kW, with work planned or under way for this to increase to 4,518kWh by 2010/11, ahead of the target.

67. The council has well-developed arrangements for promoting sustainability. It has clearly defined aims and objectives, with strong leadership and commitment shown on sustainable development by senior members and officers. They do this through the Climate Change Working Group ([Exhibit 4, overleaf](#)), which reports regularly to council. It is viewed as a corporate priority with sustainability featuring prominently in strategic plans such as the SOA,

Strengthening the Highlands and the Corporate Plan, and includes SMART targets.

68. The council is making good progress in delivering on its commitments under the 'What we will do for our environment' corporate plan theme. The council reports that 19 of the 24 commitments are improving or progressing well, four show mixed performance and for one it is too early to assess impact. The council reduced the percentage of waste sent to landfill from 73.9 per cent in March 2008 to 66.8 per cent in March 2009, and reduced the amount of biodegradable municipal waste sent to landfill. Recycling rates continue to increase year on year, from 31.4 per cent in March 2008 to 32.7 per cent in March 2009. The council's cleanliness index has also risen, from 71 per cent in 2006/07 to 76 per cent in 2008/09. The council has developed baseline data for a number of environmental indicators in 2008/09 which will allow it to further improve how it plans and monitors environmental issues. The council has agreed a Joint Waste Management Strategy with Moray Council which seeks to meet the Scottish Government targets for Zero Waste in terms of reducing landfill, increasing recycling and providing Energy from Waste (EfW), and is currently carrying out a detailed feasibility study to examine the option of an EfW facility for Skye and Lochalsh.

69. The council has good information about its sustainable development performance. It actively involves its workforce in sustainability issues by appointing staff representatives as 'Green Ambassadors' to raise awareness of sustainable issues in the workplace. There is also a clear partnership approach to sustainable development through the Highland Environment Forum. This is made up of public, private and voluntary organisations and makes recommendations to the Community Planning Partnership Performance Board. It has developed a joint declaration on climate change for the region, including a commitment

Exhibit 4

Climate Change Working Group

The council has set up a Climate Change Working Group which has clearly defined aims and objectives, and takes a strong lead on environmental issues. The cross-party group of 15 elected members is chaired by the leader of the administration. Members include the convenor, the budget leader, the chairs of all strategic committees including the chair of the Resources Committee, the leader of the Labour group and five opposition members.

The remit of the group is as follows:

- To oversee the production and implementation of a climate change strategy for the Highlands and make appropriate recommendations on this to the council. The group also oversees the implementation of relevant commitments from the council administration's programme and makes sure that all recommended changes across council services are implemented.
- To agree and monitor a programme of work to deliver the climate change strategy.
- To work with community planning partners to develop a joined-up approach to getting the best possible climate change strategy for the region and for this to be expressed in SOA revisions.

Elected members actively scrutinise and challenge and suggest options and solutions. The group holds services to account on how they contribute towards, and meet, targets.

External environmental organisations consider that the council has effective plans and is making good progress in meeting its carbon reduction commitment. It is also seen as a pathfinder on climate change issues by other local authorities.

The group has a clear workplan and has made progress in developing a carbon management strategy and implementation plan, delivering the council's carbon reduction commitment, introducing green travel plans and monitoring services' climate change priorities and what they are doing to realise them. In September 2009, the group reported that its score for the Climate Change Declaration matrix had improved from 24 out of a possible 35 points in 2008 to 31 out of 35 in 2009.

Source: Audit Scotland

for each organisation to achieve a three per cent reduction in emissions each year.

What progress has the council made in promoting equalities?

70. Since the first Best Value audit the council has put in place sound processes and structures to make progress on equalities issues. It has

introduced an internal equalities working group and the council regularly reports progress to elected members on the three equality schemes of race, equality and disability. Work is under way to have a single equality scheme in place by mid-2010.

71. Senior managers recognise that diversity and equality need to be more consistently implemented across

council departments and the assistant chief executive has recently taken over as chair of the equalities working group. This will provide an opportunity for the council to deal with equality issues in a more strategic way and for the group to focus more closely on improving the council's performance on equality issues. Elected members should do more to engage in the council's equalities agenda, which they do not champion as actively or effectively as they do for sustainable development issues.

72. The council's investment in equality arrangements has led to positive results. There has been a significant improvement in access for disabled people to council buildings, from 61.3 per cent of buildings accessible in 2006/07 to 80.1 per cent in 2008/09. The council has increased the proportion of the highest paid council earners who are women. The top two per cent of woman earners has risen from 27.6 per cent in 2006/07 to 34.3 per cent in 2008/09, while the top five per cent of earners has increased from 35.9 per cent to 38.3 per cent in the same period.

73. There is a strong partnership approach to diversity and equality within the Highlands, led by the Community Planning Partnership's Equality and Diversity Strategy Group. The group meets monthly to share equality information and developments within their respective organisations. The group has also developed a coordinated approach to liaising with local communities and in April 2009 launched the online hate incident reporting website, 'Hate Free Highlands'. The group is currently considering its objectives for 2010/11 and improving its planning arrangements and how it manages its performance.

Gaelic

74. The council promotes equal respect for Gaelic and English languages. The proportion of people in the Highland area describing themselves as well disposed to Gaelic decreased slightly from 41 per cent

to 38 per cent between 2007/08 and 2008/09. However, the number of pupils who have Gaelic speaking parents or carers is increasing. At 87 per cent, satisfaction levels with the annual Blas Festival are high. The festival is funded by the council and aims to promote and celebrate Gaelic music and culture throughout the Highlands. The agreed outcome of statutory consultations was the creation of stand-alone Gaelic Medium schools in Fort William and Portree. These schools will add to existing provision in Inverness and Skye. Currently the council has 270 children in pre-school, 734 pupils in primary and 352 in secondary school Gaelic Medium provision. In addition, 165 pupils are accessing subject teaching (other than Gaidhlig) in Gaelic Medium.

How satisfied are local people with the council and its services?

75. Customer satisfaction with the council is high. In the annual 2009 performance survey, carried out by an independent company, 83 per cent of respondents said they were satisfied with council services. This was the highest reported satisfaction rating since the survey started in 2003. The survey also found that 93 per cent of respondents find it easy to contact the council and that satisfaction in 22 service areas had improved or remained the same compared to the previous year's survey. There was a notable improvement to a range of environmental and community services such as street lighting, street cleaning, recycling, public parks and open spaces. The results of the performance survey are broadly consistent with the results of the Scottish Household Survey.

76. According to the performance survey, people feel the council provides good quality local services, is aware of people's needs, and is efficient, environmentally friendly, helpful and friendly, and a fair employer. People were less positive about how well the council is doing in providing value for money, involving people in how it spends its money,

treating residents fairly, telling people what it is doing and representing people's views. As well as proposing the use of ward forums to consult on the 2011/12 and 2012/13 budget, the council has agreed to set up citizens' panels in response to residents' concerns. Highland communities are still regarded as safe and good places to live. A high proportion of people feel closely connected to their communities and volunteering is high at 29 per cent, compared to 24 per cent nationally.

77. The council successfully retained its CharterMark accreditation in November 2008. In its overall assessment Chartermark noted that, 'this organisation continues to demonstrate a very high level of customer service delivery. Pride is taken at all levels to ensure this level of delivery and the aspects identified as exceeding requirement are justified. This organisation, despite the widespread locations, manages all aspects effectively and should be held as a beacon in public service delivery'. The council has used feedback from customers to inform its decision to extend the opening hours of its service centre.

78. The council has a sound approach to PPR. It uses a newspaper supplement to publicise council performance and publishes this on its website. Customer survey results show performance information included in the booklet accompanying council tax bills was the preferred method for receiving performance information. The council is looking to develop its approach to PPR further by making the information it holds on performance at ward level more publicly available.

How effectively is the council using its resources?

79. The council's **financial monitoring arrangements** are sound and it has a good track record in actively managing its budget. Its net revenue outturn for 2008/09 was 0.9 per cent below budget, resulting from a variety of

under-spends across services. The council has decided that general fund balances held for contingencies as non-earmarked reserves should be at a level of three per cent of the revenue budget, which equates to approximately £17 million for 2008/09. However, only £13 million of balances had been left unallocated by 31 March 2009 and the council is taking steps to ensure it maintains a healthy contingency balance, particularly in the current challenging economic climate. The council will need to maintain sound financial arrangements to ensure they continue to respond effectively to future financial challenges.

80. The council has a good awareness of budgetary pressures and has budgetary systems in place to monitor closely and shift funds into priority or pressure areas. It regularly reviews the capital programme and capital and revenue budget at administration business meetings. The outcomes of these meetings are fed into the budget group, which includes opposition group members. The council's budget process allows it to fund priorities; examples include an additional £1 million for homecare and £1 million for street cleaning and grounds maintenance. The council has introduced multi-year budgeting, which includes 2009/10 and 2010/11, to improve its financial planning process.

81. Under the corporate plan theme 'What we will do to make the Highland Council more effective and efficient', the council reports that nine of the 12 commitments are progressing well or on target with the remaining three showing mixed performance. The council has met its **efficiency savings** target of two per cent. The council's share of the national target was £8 million for each of the three years from 2008/09 to 2010/11 and the council met this target in 2008/09 with efficiency savings of £8.2 million. It aims to achieve further efficiency savings in the coming years, through a combination of specific efficiency proposals contained in the revenue budget and further efficiencies arising from ongoing projects.

82. The council has had an efficiency strategy in place since 2005 and this was developed further in 2008/09. The council implemented a 'Shared Services Diagnostic Project' in 2008 that led to nine improvement projects as part of the CIP. The CIP has a central role in the council's efficiency strategy, with some of the projects, for example procurement and asset management, able to deliver efficiencies in 2009/10. The council expects that efficiencies will result from 2010/11 onwards from the other projects.

83. The council has many aspects of a good **workforce management** system in place but it needs to pick up the pace of change in some areas. Some HR projects have been under way for a long time, such as harmonising terms and conditions across the council area and integrating the HR and payroll system ResourceLink.

84. The council has a corporate approach to workforce planning and staff development through implementing its workforce management plan. Employee relations are good, communications are effective and staff morale and motivation are generally high. The council actively and regularly seeks staff views and has made progress in responding to employees' concerns. In November and December 2007, the council carried out its fourth employee survey. The results showed that 64 per cent of employees were satisfied with their jobs and 46 per cent found the council to be an average employer, with 26 per cent rating it one of the best, or above average. Most staff said they were satisfied, with interesting work, working hours, supportive colleagues, enjoyment of work, and employment benefits. Staff were least satisfied with having sufficient resources, feedback on performance and career development. The council followed the survey by holding 13 employee survey events which allowed it to develop an action plan and take improvement

actions on communication, personal development plans (PDPs), training and career development, pay, terms and conditions, working arrangements and equipment, and the working environment. All services regularly report on the improvement actions and are developing service training and development plans. At the time of our audit, the council planned to carry out its next employee survey in February and March 2010 and aimed to use the findings to monitor the effectiveness of its actions.

85. The council is making progress in reviewing pay, terms and conditions and working arrangements but the pace of change has been slow. Its new pay and grading structure was introduced in February 2009 and has received nearly 2,000 appeals. It is working towards harmonised terms and conditions with an expectation that this will be achieved by 2010. However, the council has been slow to deal with legacy issues, such as bonus schemes, working hours and holiday entitlement from former district and regional council structures that changed in 1996. This is a continuing financial risk that the council is managing. The council is taking a more proactive approach to managing staff absence and remains in the top quartile for all Scottish councils in managing its sickness absence for both teaching and other staff. In 2003, the council introduced ResourceLink, an integrated HR and payroll system. Although the payroll function was implemented, the remaining functions such as absence management and recruitment are still to be introduced.

86. The council introduced a corporate asset management policy in 2007, and has made progress in important areas of **asset management** planning including rationalising property and accommodation, gathering property asset data and reviewing capital planning. There has been an improvement in the proportion of properties in poor condition, which is currently 31 per cent. However, the council has not improved the

proportion of properties that are not suitable for current use, which remains at 36 per cent.

87. The council has a good awareness of procurement issues and their importance. It has developed an advanced procurement plan, as set out in the McLelland report (the *Review of Public Procurement in Scotland*, 2006). The council also plans to review its procurement function, has developed formal training, is holding supplier development roadshows across the Highlands and is implementing new reporting arrangements to members.

88. The council makes good use of ICT to support and deliver services. It has a strategy for developing ICT that is clearly linked to its objectives. The new ICT contract aims to deliver a minimum of £6.76 million of savings over the next five years.

89. The 2008/09 annual audit, reported to members in October 2009, highlighted issues relating to Caithness Heat and Power (CHaP) which identified shortcomings in governance arrangements for the project and financial issues relating to its potential future cost. The council considered the internal audit report on this issue in January 2010 and agreed that a progress report on agreed actions would be provided to the council and to Audit Scotland. The council has made some improvements over the past 18 months and aims to share lessons learned with all managers and heads of service as part of its management development programme during 2010. The Controller of Audit will be making a public interest report on this matter to the Accounts Commission under Section 102(1) of the Local Government (Scotland) Act, 1973, as amended. This report will highlight key issues concerning the governance of this project, and will reflect steps taken by the council, including the action plan which it agreed in March 2010.

Part 7. What are the council's prospects for future improvement?



The council benefits from effective leadership by senior members and officers and the political and management arrangements have improved significantly since 2007. The council and its partners promote a strong ethos and commitment for working together for the benefit of the Highland area. Partnership working could be further strengthened by improving links between strategic and local partnerships.

The council shows a good awareness of where it needs to improve and has many elements of an effective continuous improvement culture. The council has adopted various methods to improve how it performs and these have resulted in efficiencies and other improvements. However, the council needs to assure itself that this is prioritised and coordinated effectively within an overall improvement framework to ensure maximum impact. The council also needs to have more effective arrangements in place to demonstrate it is achieving value for money, value for local communities and competitiveness.

The council has made good progress on improving its performance since its first Best Value audit in 2006. It has shown a significant increase in the pace of change since 2007 and now has the foundations to manage its business through the challenging times ahead. Overall, the council is well placed to deliver future improvement.

Is the council aware of where it needs to make improvements and is it committed to change?

90. The council uses a range of self-evaluation and review processes to enable it to continuously improve and it shows a good awareness of where it needs to improve. Its self-evaluation highlighted the following as areas for further development and improvement:

- Given the harsher financial climate from 2010 onwards, the council will review how it communicates difficult decisions to the public, staff and media to make sure it does this clearly.
- The council will refresh area and local community planning partnerships and seek better alignment of financial frameworks with partners.
- It will develop a publicly available web-based performance and risk management system and has plans to develop ward performance information further.
- It will fully roll out staff Personal Development Plans to make sure staff have the opportunity to develop their job skills.
- It will complete the job evaluation appeals process and harmonise terms and conditions.

91. Its review and improvement processes include projects covered under its CIP, cross-party working groups, best value reviews, CharterMark and other awards. It adopted the Public Sector Improvement Framework (PSIF) in June 2009 and, although it was in the early stages of implementing it, used it to contribute to its self-evaluation.

92. During 2008, the council carried out a Shared Services Diagnostic Project. This helped identify potential improvements and efficiency savings. The project's first phase, which ended in August 2008, produced 12 outline business cases to develop improvement opportunities. The council agreed that nine of these should be progressed as improvement projects under its CIP programme. This council-wide initiative aims to deliver £10.1 million of efficiency savings by 2012/13 and, at the same time, improve customer satisfaction.

93. The CIP comprises nine projects covering asset management, business support, customer engagement and assessment, human resources, income generation, information management, mobile and flexible working, procurement and transport. The CIP board is chaired by the chief executive and includes all members of the senior management team, who each act as sponsor for one of the projects. Although there has been an increased pace of change overall since 2007, some of the CIP work streams could be further advanced.

94. The council is striving to make continuous improvement part of the culture of all services. Staff are generally positive about its approach to performance management and the way change is managed, through their involvement in working groups and the staff appraisal process. There is a strengthening culture of continuous improvement throughout its services, and strong leadership for continuous improvement from the chief executive and the senior management team through their involvement in the CIP. The council has many elements of an effective continuous improvement culture and various improvement activities have resulted in efficiencies and other improvements. However, with such a range of improvement work taking place (through the CIP, best value reviews, PSIF, etc), the council should assure itself that this activity is being prioritised and coordinated effectively to minimise the risk of duplication and ensure that the improvement work is being done efficiently.

Does the council have the support of its partners to deliver improved outcomes for local people?

95. The council and its partners promote a strong ethos and commitment for working together for the benefit of the Highland area. They do this through the Highland Community Planning Partnership Performance Board and the

Highland Council and NHS Highland Performance and Leadership Group, and with other partnerships. Senior managers, elected member and board members are actively involved in the board and other key strategic partnerships covering health, the economy and the environment. This makes sure that there is a collective understanding and a collaborative approach to meeting important objectives for the area.

96. The council and its partners in developing the SOA referred to a range of partnership plans which had already been informed by consultation and they are now reviewing arrangements to ensure local outcomes are achieved. They demonstrate a keenness to pursue joint working opportunities as shown by their approach to GIRFEC and their piloting of an Integrated Resource Framework with the Scottish Government's Joint Improvement Team. This is a national development project that aims to understand how financial resources are being deployed across the health and social care sectors to provide people with care services that are most appropriate to their needs, such as care at home.

97. The council and its partners have reviewed the community planning structures to give a performance focus to community planning and a structure for delivering, monitoring and reporting on the SOA. Elected members, corporate managers and ward managers provide strong community leadership through their involvement in local management structures and local partnerships. This also provides assurance that local partnerships are run as efficiently and effectively as possible. However, the approach to community planning could be strengthened further by having clearer structures below the strategic level. At present no clear monitoring and reporting structures are in place for local partnerships to show how they contribute to the delivery of local and strategic outcomes. The council self-evaluation

identifies refreshing the purpose of local community planning partnerships as an area for improvement.

98. There are effective partnerships at a strategic level, such as the Community Planning Partnership Performance Board, the Highland Council and NHS Highland Performance and Leadership Group, the Highland Economic Forum, the Highland Environment Forum and the Equalities and Diversity Strategy Group. The review of the community planning structures saw the replacement of the former Wellbeing Alliance with the Community Planning Partnership Performance Board. The board has agreed an approach to challenging performance in the partnership and is to pilot the use of the PSIF.

99. Elected members take an active and constructive role and demonstrate leadership in planning and there is good partnership working in joint strategic planning. This provides for strategic documents and actions to reflect a wide range of interests and local priorities.

100. The council and its partners have also started work to analyse their capital programmes to better align their capital investment, identify overall investment in the local economy and explore opportunities to share services. The exercise has highlighted the potential for the council and its partners to share the same offices and a group of senior officers from each of the partners is to be formed to take this work forward, with an aim to regularly share proposals for capital projects and consider joint working opportunities. A report is to be made to the partnership in June 2010. In undertaking this work the council and its partners should further consider how they can demonstrate the value for money and other benefits achieved through partnership working.

Does the council have the leadership capacity and organisational capability to deliver the improvements that are needed?

101. The council has made good progress on improving its performance since its initial Best Value audit in 2006 and there has been a significant increase in the pace of change since 2007.

102. The council's political structures, although still evolving, have provided a more strategic approach to how it provides local services, scrutiny and budget understanding. Before the 2007 elections the Highland Council was characterised by a large number of independent members with a focus on local ward issues. Since the 2007 election, the introduction of party groups has helped to create a stronger strategic focus. Elected members continue to provide community leadership and the ward structures allow them to represent and balance local priorities within the strategic framework.

103. There is strong political leadership in the council, with an administration that works consistently and effectively and an effective opposition. This contributes to a clear and consistent strategic direction. Elected members demonstrate good leadership, and working relationships between party groups, among members and between members and officers are generally good. Members have a positive approach and work well together in the interest of the whole of the Highland area.

104. The council has strong managerial leadership and the chief executive promotes a positive and inclusive management approach by setting out clear accountabilities and responsibilities.

105. The changes to the political arrangements and the management arrangements have strengthened corporate working and reduced the

inconsistency between the eight former administrative areas while retaining a local focus and sense of identity.

106. All partners in the Community Planning Partnership Performance Board, and in other partnerships, show strong leadership and a shared understanding on the priorities for the Highlands. This should help to ensure that the partnership has the capacity and commitment to make future improvements.

Are the council's management arrangements likely to secure better use of resources and improved services?

107. The council's revised political management arrangements and management structures have enabled the council to provide services in a more unified and consistent way. The strategic plans and revised structures provide clear direction, improved business management arrangements and helps to prioritise the budget process.

108. Elected members show ownership of performance management through performance reporting on the 'Strengthening the Highlands' programme. The council's performance management framework is sound and integrated with service planning and delivery. Services have a comprehensive and effective approach to reporting their performance to senior managers through quarterly performance reviews and service committees regularly receive performance reports. The council's performance management framework is continuing to develop and the proposed acquisition of an electronic system for recording and reporting of performance should further improve the arrangements in this area.

109. The council has various self-evaluation and review approaches. However, it is not clear that its performance management activities trigger reviews. For example, there is little evidence that the council

has systematically tested the competitiveness of its services in reviews. The best value reviews of significant trading operations reported in November 2009 contained limited options appraisal and market testing. Although, elected members and council officers can articulate social and economic reasons for options they selected, this is not explicit in the options appraisal process.

110. The council also needs to improve its arrangements for testing and demonstrating the efficiency of its services. Although a range of improvement activity takes place, and securing efficiency is a core part of the CIP, the council's approach to demonstrating value for money is under developed. In the Highlands, distance and sparse populations can restrict the economies of scale. So it is important that the council can demonstrate that it is achieving value for money and for communities.

111. The council continues to face significant challenges in matching expenditure commitments to available resources, and financial planning needs to continue to adapt to meet the challenges arising from the economic downturn. Non-recurrent capital receipts which provided some respite in previous years are less likely to arise due to the economic downturn. The council's corporate management team has recognised this and all services have brought forward action plans that include reductions in spending. Services were asked to develop average savings of 2.9 per cent in their budgets for 2009/10 and the council has asked services for average savings of five per cent, six per cent and six per cent for the period 2010/11–2012/13. The council is also carrying out a full review of the capital programme, including the use of option appraisal criteria, to consider its approach in light of reducing capital receipts, and is looking at other sources of income and reductions in expenditure to balance its budget. In view of the financial pressures that the council faces it is increasingly important that it reviews

the full range of options for services and demonstrates value in the way it provides services.

112. The council and its partners have taken steps to deal with the impact of the economic downturn. As part of its involvement in the Convention of Highland and Islands, the council prepared a discussion paper on the benefits and challenges of community planning in a period of economic recession. The paper identified risks and threats to Highland communities from the recession, and positive steps that may lessen the effects of the downturn. The paper also outlined details of the Highland and Islands Enterprise seven-point economic recovery plan along with the council's own action plan. The council's recession action plan was considered by the council in June 2009 and outlines 38 actions for the short, medium and longer term in areas including housing, the capital programme, money and employability advice and support to individuals, businesses and wider economic initiatives. Progress against the action plan is reported regularly to council.

113. The council is improving well, having made good progress in addressing the areas for improvement from its first Best Value audit in 2006. The change it has made to its political and management arrangements provides it with a clearer, more consistent strategic direction. The council generally provides good quality services that are responsive to local communities and customer satisfaction is high. It works well with its partners and involves local communities in responding to local needs and concerns. The council demonstrates good self-awareness of the issues and challenges that it faces. It has good foundations in place to tackle these; however, it needs to increase the pace of change in some areas and demonstrate value for money more clearly for its local communities. Overall, the Highland Council is well placed to deliver future improvement.

Appendix 1.

Judgement descriptions

This table sets out the framework for constructing the two new BV2 judgements. It is expected that councils will not display all aspects of any given performance level (eg, improving outcomes, or the quality of local services). Councils are more likely to demonstrate a mixture of performance levels across the various dimensions of performance that are being assessed. The BV2 judgement will be arrived at by determining an overall summary performance of these different aspects of performance.

Judgement descriptions – pace and direction of change

Pace and direction of change	Not improving adequately	Needs to improve more quickly	Improving well	Improving strongly
Improving outcomes and addressing complex cross-cutting issues with partners	The council has a poor track record in delivering improved outcomes for the area with its partners, and addressing key cross-cutting issues such as community safety, health improvement, equalities and sustainability.	Progress towards key strategic outcomes is mixed, with improved progress required in a number of important outcome areas. Systematic evidence of the impact of partnership working is not available.	Consistent progress is being made towards the majority of key strategic outcomes. However, some improvements are still required in a number of outcome areas and there is scope to further align partnership working with key strategic priorities.	The council is able to consistently demonstrate considerable success in delivering complex cross-cutting strategic local issues and improving outcomes with partners. Consistent progress is being made towards almost all key strategic outcomes. Limited improvements are required.
The quality of local service	The overall quality of council services is consistently below the national average. Many services, including one or more key services (education, social work or housing) require significant or urgent improvement.	Overall service performance is mixed. While some services are performing well, several services, or significant aspects of services, require important improvements to be achieved.	Many council services are performing consistently well and demonstrating continuous improvement. While some further improvements are required, all key services are performing well.	Most of the council services are recognised as performing at the highest level. All key services can demonstrate strong and consistent improvement.
The views of citizens and service users	Overall satisfaction with the council and its services is consistently below the national average. Overall satisfaction trends are static or falling. Arrangements for consulting with local people and users of services are patchy and underdeveloped and the council cannot demonstrate that consultation is influencing decision-making and service improvement.	Overall satisfaction with the council and its services is mixed, with a significant number of services, or important aspects of services, below the national average. Overall satisfaction trends are improving slowly. The council has introduced arrangements for consulting with local people and users of services but these are not applied consistently throughout the organisation. While there are some examples of this 'making a difference' within departments, systematic evidence of impact is not yet available.	Overall satisfaction with the council and its services is generally above the national average, with overall satisfaction trends that are improving well. Arrangements for consulting with local people and users of services are well developed. There is good evidence that consultation and engagement is taken seriously across the organisation with good systematic evidence available on its impact.	Overall satisfaction with the council and its services is consistently above the national average for most aspects of performance, with overall satisfaction trends that are improving quickly. The council has comprehensive and well-coordinated arrangements for consulting with local people and users of services and is able to demonstrate that their views are influencing strategic priorities and shaping service improvements.
The council's progress in delivering improvement agenda (including Value for Money (VFM))	There is limited evidence that the council knows where improvements are required and is able to secure improvement in service performance. It cannot demonstrate improvement in VFM.	While some services are improving, the pace of change has been slow and the council has been unable to systematically transfer service improvements from one service to another and secure systematic improvements in VFM.	The council knows where improvements are required and can demonstrate a systematic and effective approach to securing improvements across all services (including VFM). Improvements are implemented quickly, and with little slippage.	The council is able to demonstrate that it is effectively managing performance improvements in line with its strategic priorities, across services, and in partnership with others, and it can demonstrate systematic and significant improvement in VFM.

Judgement descriptions – prospect for future improvement

Prospect for future improvement	Poor prospects of future improvement	Fair prospects of future improvement	Well placed to deliver future improvement	Strongly placed to deliver future improvement
Leadership capacity and organisational commitment to change	The council does not have the leadership and management arrangements needed to deliver on its ambitions. Governance is weak and developing its political and managerial ability to tackle the council's problems is a key priority for the council.	The council needs to improve its leadership and managerial impact to deliver on its ambitions. There are some weaknesses in the governance arrangements and it is unable to demonstrate that it currently has the organisational commitment and capacity to secure change and improved outcomes.	The council has effective political and managerial leadership supported by good governance arrangements. It is committed to continuous improvement, focused on what matters to local people, and is securing improved outcomes.	The council has highly effective political and managerial leadership supported by strong and effective governance arrangements. It has ambitious plans for the area and a strong focus on continuous improvement. It has the organisational commitment and capacity to secure change and improved outcomes.
Partnership working	The council has not yet established a shared vision for the area with its partners, supported by sound governance arrangements and the resources needed to deliver key priorities.	While the council has established a shared vision for the area with its partners, there is not a consistent sense of ownership from the partnership's leaders, and improvements are needed in governance and resource alignment.	Leaders of the partnership articulate a clear and consistent shared vision and sense of purpose for the partnership and the improvements it is trying to achieve for the area. Effective governance and resource alignment arrangements are in place.	Leaders of the partnership actively promote and communicate the shared vision and sense of purpose of the partnership and the improvements it is trying to achieve for the area. They can demonstrate – and are committed to ensuring – that the shared vision for the area impacts on their own organisation and partnership activity.
Staff understanding of and commitment to improvement	There is very limited staff understanding of and commitment to continuous improvement and the council's improvement agenda.	Staff understanding of and commitment to continuous improvement and the council's improvement agenda is underdeveloped.	There is widespread staff understanding of and commitment to continuous improvement and the council's improvement agenda.	There is very strong staff understanding of and commitment to continuous improvement and the council's improvement agenda.
Effectiveness of resource planning and performance management (including member scrutiny)	The council lacks awareness of where it needs to make improvements and is not able to secure improvement in service performance as a consequence of ineffective performance management arrangements and weak scrutiny and challenge. Resources are not used to best effect.	While the council is aware of where it needs to make improvements, it lacks a systematic approach to securing improvement. Scrutiny and challenge is patchy. The council lacks a systematic process for directing resources to key priority areas and securing improved VFM.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is well developed. It has a systematic process for directing resources to key priority areas and securing improved VFM, but cannot yet demonstrate consistently improved outcomes.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is highly effective. The council has a systematic process for directing resources to key priority areas and can demonstrate consistently improved outcomes.

The Highland Council

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ISBN 978 1 906752 82 8

Printed on Revive 100 Uncoated, a Forest Stewardship Council (FSC) certified recycled grade containing 100% post consumer waste and manufactured at a mill certified with ISO 14001 environmental management standard. The pulp used in this product is bleached using an Elemental Chlorine Free process (ECF).