

South Ayrshire Council

Best Value Audit



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
December 2014




The Accounts Commission

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Commission findings

- 1. The Accounts Commission accepts the Controller of Audit's report on South Ayrshire Council. The Controller's report is in response to our findings on the Best Value report in February 2014 in which we noted that the challenges facing the council were deep-rooted and substantial.**
- 2. We welcome the council's positive response to our previous findings. We note that, in a relatively short time period, the council has made a good start in developing an improved framework to help it demonstrate Best Value. It now needs to ensure that this framework is effective in practice and leads to sustained improvements in governance, services and outcomes for communities in South Ayrshire.**
- 3. More work is required in the range of areas highlighted in the Controller's report. We would highlight in particular the following points which are crucial in maintaining the momentum that the council has built in recent months:**
 - The Best Value Working Group needs to continue to provide strong political leadership of the council's improvement agenda and ensure that the actions the council is taking to achieve Best Value are sustained.**
 - The council needs to satisfy itself that it has sufficient management capacity to deliver its improvement agenda and meet the challenges the council faces.**
 - The council needs to ensure that the new business planning framework is fully established and that, as intended, it provides focus on service performance and continuous improvement.**
 - The council needs to progress service reviews, including robust appraisal of options for service delivery, to identify new and better ways of delivering services and to act on the results of those reviews to improve services.**
 - The council needs to ensure that there is a shared understanding among officers and all elected members of their respective roles, and to ensure that the four new scrutiny panels provide effective and transparent scrutiny of performance.**
- 4. We are encouraged by the council's achievements but it has a long way to go to embed fully all the characteristics of a Best Value council. We require the Controller of Audit to report again within 18 months.**

Controller of Audit report

Purpose

1. I am making this statutory report to the Accounts Commission under Section 102(1) of the Local Government (Scotland) Act 1973.
2. Its purpose is to bring to the Commission's attention the 2013/14 annual audit report for South Ayrshire Council, and to provide an update on the council's progress following the Best Value audit report published on 27 February 2014.

Background

3. At its meeting in February 2014 the Commission considered my report on Best Value in South Ayrshire Council, which covered the extent to which the council is meeting its statutory duty, with a focus on leadership and culture, performance management and scrutiny. In its findings on my report ([Appendix 1](#)), the Commission expressed serious concern about the council's inability, over a number of years, to fulfil its Best Value responsibilities and achieve continuous improvement.
4. The Commission was also concerned about:
 - inadequate depth and pace of improvement
 - strategic leadership by councillors and effective relationships between members and officers
 - senior management capacity to support change, sustain improvement and embed a positive organisational culture
 - the lack of a corporate plan, the need for clarity on council priorities and the importance of supporting service and resource plans across the council
 - ineffective scrutiny and performance management arrangements.
5. The Commission called for the council to make progress as a matter of urgency, noting that weaknesses would have an increasingly negative impact on the services the council provides for people and communities in South Ayrshire.
6. Given the nature of the issues facing the council, the Commission indicated that it might need regular assurance over time before it is satisfied that a culture of improvement is fully embedded in South Ayrshire, and asked me to provide a further report by December 2014 on the progress made. Auditors have monitored the situation and assessed action taken by the council during the intervening period. Our conclusions are summarised in the [Annual Audit Report](#) (AAR) for the council, which I have linked to this report ([Appendix 2](#)) and cross-referenced throughout this report.

The council's response to the Best Value report

7. The Commission recognised that South Ayrshire Council faces challenges that are deep-rooted and substantial. However, I can report that the council has shown a positive attitude in responding to the Commission's report. It quickly acknowledged and accepted the Accounts Commission's findings, and there is clear evidence of it taking action aimed at addressing the weaknesses identified. Work has started against all the recommendations in the Best Value audit report.
8. An early development was the creation of a Best Value Working Group, comprised of elected members from across political parties and senior officers, to identify what action needs to be taken and to monitor progress. The working group undertook self-evaluation, including use of Best Value toolkits, to investigate further where improvements can be made. This approach has provided focus and direction for members and senior officers and has contributed to improved leadership during this period ([paragraph 15 and 132 of the AAR](#)).

Planning and performance management

9. In February, the Accounts Commission expressed concern that the council had not had a corporate plan in place since 2012. It considered it essential that a corporate plan and supporting service and resource plans were in place for the start of the 2014/15 financial year. [Paragraphs 135 to 139](#) of the AAR outline the business planning framework that the council now has in place.
10. Members approved the 'Council Plan' in March 2014 and this incorporates the council's overall improvement agenda. One of its strategic objectives is to 'Improve the way that we work as a council' and it lists the outcomes that it wants to achieve:
 - Ensuring that our assets are fit for purpose.
 - Continuing to improve procurement.
 - Providing equality of opportunity in our service provision.
 - Developing our workforce and maximising attendance.
 - Using performance management and self evaluation to drive improvement.
 - All services are systematically reviewed using a standard methodology every three years.
11. The council has also developed 11 Service and Improvement Plans (SIPs), which incorporate the actions and sub-actions services will take to contribute to the council achieving its strategic objectives and outcomes. At the time of the auditors' review, the council was developing 'team plans' related to the SIPs. These arrangements should provide a framework to cascade the council's strategic objectives throughout the organisation. The council has also refreshed its staff appraisal process, which includes links between personal objectives, the SIPs and team plans, and is supported by a competency framework. The process is being applied across the whole council.
12. The SIPs are supported by performance indicators that will measure the council's progress in delivering planned outcomes. It is intended that service performance will be monitored through

six-monthly reports on the SIPs to the new Service and Performance Panel, which recently had its first meeting. The council is also developing its self-evaluation approach, How Good is Our Council (HGIOC). The director of education and his staff, who are more familiar with the approach, initially led this work but there is evidence that other services are taking a more active role in leading discussions at HGIOC evaluation events.

13. The council recognises that planning and performance management is an evolving process and that it still has work to do, particularly in refining its vision and developing more tangible strategic objectives. The council should use the Council Plan as a core building block in developing a clear direction for the council, and to start measuring and monitoring performance against this. The council should also agree a clear plan for how and when the strategic objectives will be reviewed and refined.
14. Overall, the new arrangements provide the council with the opportunity to place a greater focus on service performance and continuous improvement. However, at the time of our audit work, the system was just becoming operational. Indeed, the new Service and Performance Panel only met for the first time in September. The new arrangements need time to become fully embedded within the council before we can assess their effectiveness and impact.

Scrutiny and governance arrangements

15. In its last report, the Accounts Commission said that the council's scrutiny arrangements were ineffective. While the council had an active audit committee, two of its three scrutiny panels met infrequently and lacked a clear remit to monitor and challenge service performance. The council has taken action intended to improve these arrangements, agreeing a revised structure for scrutiny in July 2014 ([paragraphs 93-97 of the AAR](#)). The previous four scrutiny panels (the three Standing Scrutiny Panels and the Scrutiny and Governance Management Panel) were replaced with four new panels:
 - Audit and Governance Panel
 - Service and Performance Panel
 - Partnership Panel
 - Public Processes Panel.
16. The council agreed remits for these panels and appointed chairs in July 2014 and vice chairs in August 2014. An independent councillor, who is not a member of the current administration, chairs the Audit and Governance Panel. This is in line with good practice principles for audit committees. The council has established new standing orders and introduced a scrutiny handbook to support its new arrangements, and the Improvement Service is providing external support during the early stages of implementation.
17. However, it is too early to assess the effectiveness of the changes in scrutiny, as the revised structure and scrutiny tools have still to be fully implemented and embedded. In any event, successful scrutiny also requires that structures are managed effectively and that both members and officers engage properly in the process. The council will need to ensure that the flow of information is consistent, balanced and well-managed across the system, and that the

different remits of the panels remain clear in practice. The council must also maintain transparency in its decision-making and regularly monitor risks to this. Auditors will keep the new system under review as it develops.

Roles and responsibilities

18. The Commission's February report on Best Value found that senior officers were not working well as a team. Since then, the council has revised its management structures for chief officers, and these were approved in May 2014. This includes a move from three executive directors to two, with the deletion of the post of executive director for care, learning and wellbeing as a result of services being delegated to the Shadow Integration Board and the new director for health and social care post established within that arrangement.
19. The restructure created a new director of educational services post, which incorporates the existing remit of the head of education as well as early years and childcare, and additional support needs. The posts of head of children's services and head of community care and housing, were deleted, also as a result of the Shadow Integration Board developments.
20. The council has made a number of other changes to strengthen the Corporate Management Team (CMT). This includes a head of policy and performance post that will have responsibility for Best Value, the Single Outcome Agreement, the Council Plan, oversight of Service and Improvement Plans, performance, and public affairs. The council is also in the process of creating a Business Improvement Team, reporting to the chief executive, which aims to provide additional capacity and resource to support business change in the council.
21. While there is still some ongoing recruitment to these positions, there are early indications of cultural change. Both members and officers speak of there being a more corporate and collegiate environment, and there is evidence of structured and strategic discussions at CMT meetings supported by monitoring and tracking of decisions and actions required. Members of the CMT have been assigned corporate responsibilities and at an away day in October they worked on developing a Team Charter.
22. The chief executive and the CMT as a whole are developing their leadership roles and working to embed a positive organisational culture across the council. Members of CMT are showing a better understanding of their roles and responsibilities, aided by the introduction of business planning arrangements. Once the full CMT is in place, it should take the opportunity to ensure a broad, common understanding among all council staff about the roles and responsibilities of CMT and the role of the new Business Improvement Team.
23. In relation to improving strategic leadership by elected members, the council accessed external support from the Improvement Service on the roles and responsibilities for members and on governance issues. Attendance at a session on roles and responsibilities in May 2014 involved 24 of the 30 councillors. A series of training events on a range of specific topics has also been established, which are held regularly on Wednesday afternoons. Attendance at these sessions has been consistently good, and included for example, briefings from Audit Scotland staff on recent reports by the Accounts Commission.

24. A degree of political tension remains, but this will be more easily managed if councillors and senior officers have a clear and shared understanding of their respective roles and responsibilities. Working together, they must build trust and confidence that each will deliver what is expected in leading and managing the council. Following the changes in management structure, the council should consider how effectively the political portfolio positions align with service development and delivery.
25. The council's Best Value Working Group has cross-party representation and gives councillors ownership of the council's improvement agenda. Elected members demonstrate a good understanding of the council's business planning arrangements and the role that they have in scrutinising council and service performance.

Conclusions

26. The council has responded quickly and positively to the Accounts Commission's findings. It has made clear progress in creating a framework to deliver on its Best Value duties, and there is some evidence of a changing culture and increased commitment. This has been achieved at a good pace, over a relatively short period, which is significant given the scale of improvements needed and the deep-rooted nature of the weaknesses that were affecting the council. It is too early to evidence the full impact of the actions taken.
27. It will be important for members and officers to sustain this improvement and begin to realise the benefits of the work done so far. Developing and embedding a culture of continuous improvement is critical, and there are a number of specific areas where the council needs to ensure ongoing focus. These include:
 - maintaining a political commitment to make the revised approach to scrutiny work and assessing the effectiveness of the new approach in addressing previous weaknesses
 - ensuring the new business planning and performance management arrangements deliver improvements in services for the public and outcomes for communities
 - maintaining the improvements made in corporate leadership and management and developing senior management capacity to drive change and transformation.

Fraser McKinlay

Controller of Audit

December 2014

Appendix 1

Commission findings on Best Value audit report, February 2014

- The Accounts Commission accepts the Controller of Audit's report on the targeted Best Value audit covering leadership and culture, performance management and scrutiny in South Ayrshire Council.
- We are seriously concerned about the council's inability, over a number of years, to fulfil and sustain its statutory Best Value responsibilities, ie continuous improvement in the above areas. The depth and pace of improvement in these areas have been inadequate and, while there are signs of improvement, these should have been established much earlier. However, we acknowledge and recognise that the performance of council services raised no significant concerns.
- The people of South Ayrshire and its communities are entitled to expect the leadership of the council to take the steps necessary to embed and sustain continuous improvement and to address the major challenges facing the council. It is the responsibility of all councillors to provide strong strategic leadership and to ensure that the council has the senior management capacity to support change and sustain improvement. Equally, the public and council staff expect senior management to provide clear leadership and consistent corporate working to address the lack of progress to date and help deliver the future success of the council. In particular, the chief executive has a key leadership role in embedding a positive organisational culture.
- Councillors and senior officers must have a clear and shared understanding of their respective roles and responsibilities. Working together, they must build trust and confidence that each will deliver what is expected of them in leading and managing the council. However well intended, it is not the role of a council leader to be involved in the operational management of a council; that is the responsibility of the chief executive.
- We are also concerned that the council has not had a corporate plan since 2012 and that this is likely only to be resolved in March 2014. A corporate plan has a key role in ensuring that all departments and individual staff are focused on common strategic objectives. Without a plan, there is no clear statement of the council's priorities for services and improvement. Nor is there clear information about how it will address significant national issues, such as health and social care integration, in the context of other priorities and challenges.
- Scrutiny and performance management arrangements are ineffective. Councillors must ensure that the council's scrutiny arrangements are fit for purpose and transparent. They must also insist on receiving comprehensive information that is accurate, timely and consistent across services. Officers must ensure that performance reports support effective scrutiny and that the underpinning management processes support service improvements.

- We require progress to be made as a matter of urgency. Otherwise, the weaknesses identified by the targeted audit of Best Value will increasingly have a negative impact on the services that the council provides for people and communities in South Ayrshire and on the public's confidence in the council.
- It is essential that the corporate plan and supporting service and resource plans are in place and that these are implemented and monitored from the start of the 2014/15 financial year. These must include a clear commitment to Best Value and how that will be achieved and sustained. Within these plans, the Commission requires explicit references to the significant weaknesses highlighted in the Controller of Audit's report. Those explicit references should set out specifically what will be done, by whom and when, and how progress will be measured and reported.
- We are of the firm view that Best Value can only be achieved when councillors and officers have the necessary support and skills to carry out their roles. The challenges the council faces in establishing and sustaining effective leadership and improvement are both deep-rooted and substantial. The council as a matter of urgency needs to seek external assistance through, for example, peer support and assistance from the Improvement Service.
- We require a further report by the Controller of Audit on the progress made by the council by December 2014 at the latest, and earlier if the Controller identifies concerns that he considers should be brought to our attention before then. When we receive the Controller's report we will decide what further action we need to take. This may include a requirement for further reports from the Controller over time until the Commission is satisfied that a culture of improvement at the council is embedded fully.

Appendix 2


Annual report on the 2013/14 audit

Click here for the [Annual audit report on the 2013/14 audit](#)

South Ayrshire Council

Best Value Audit

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