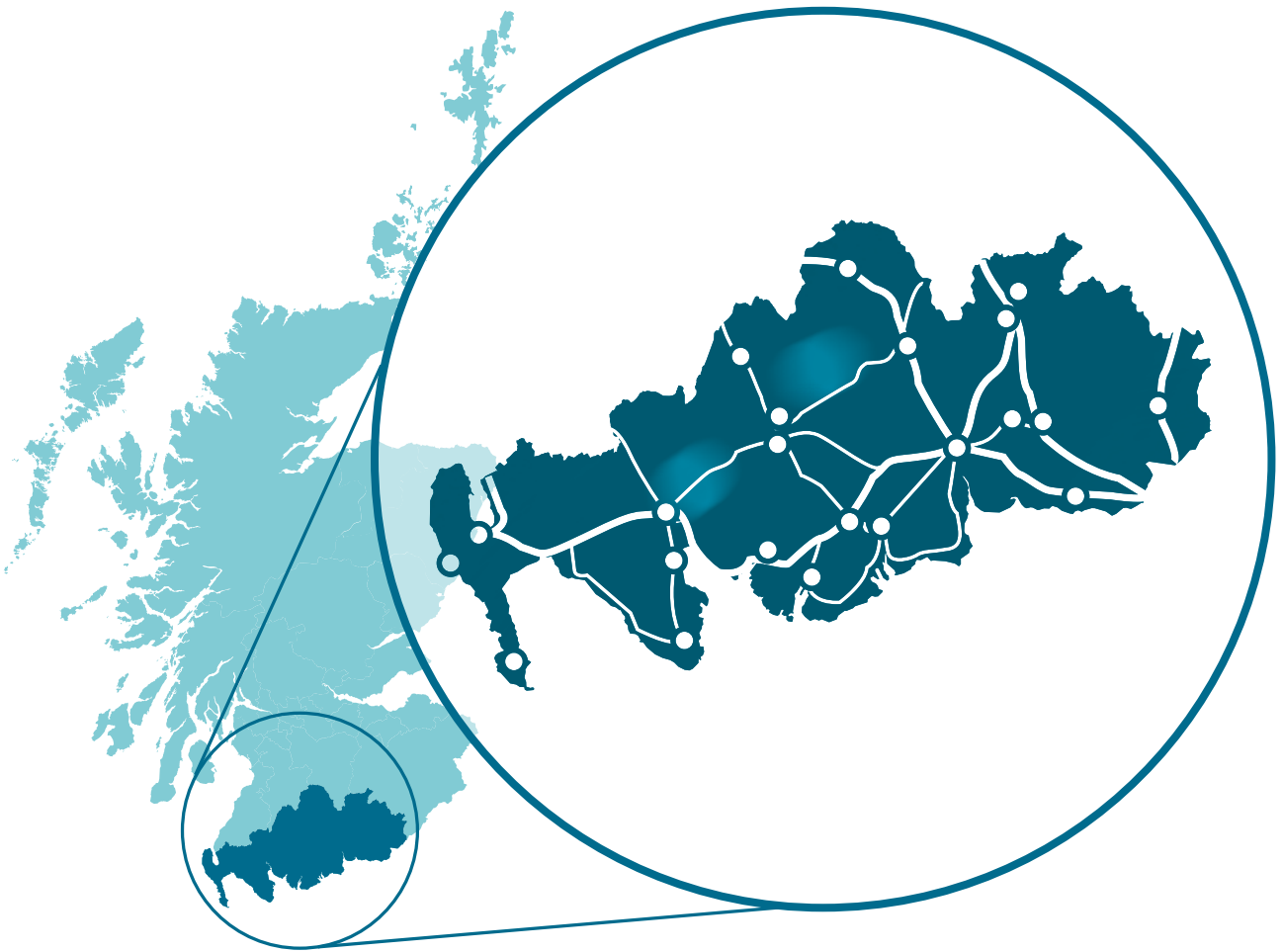


Best Value Assurance Report

Dumfries and Galloway Council



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
November 2018


The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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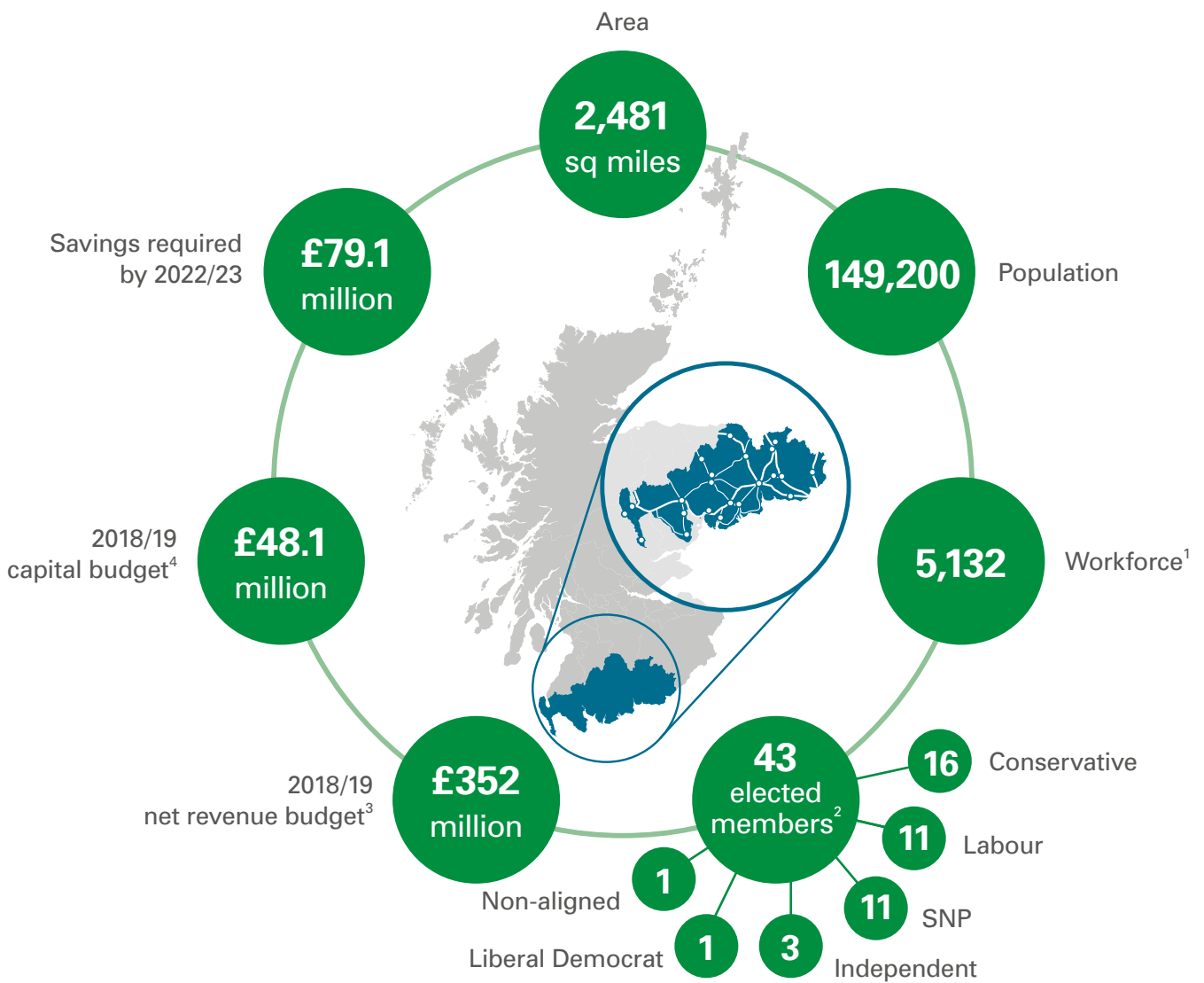
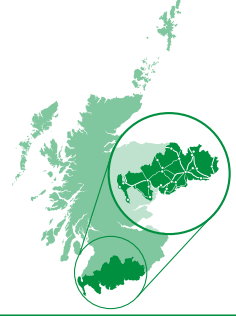


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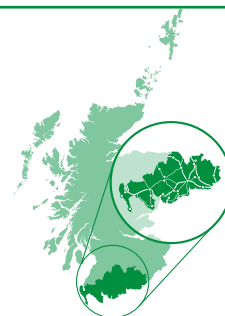
Key facts



Notes:

- 1. Number of full-time equivalent employees.
- 2. Labour-SNP partnership.
- 3. Covers day-to-day costs like salaries.
- 4. Covers the cost of major projects, such as building schools and maintaining roads.


Commission findings



- 1** The Commission accepts the Controller of Audit's report on Best Value in Dumfries and Galloway Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.
- 2** Our previous Best Value audit report in 2009 identified serious weaknesses at the council. We are pleased to report significant progress since then and the council has maintained clear priorities and direction in the face of challenges associated with being a relatively expansive and predominately rural area which has a low wage economy and faces depopulation.
- 3** We note that the council has identified that significant future financial savings are required: £79 million by 2022/23. This is a substantial financial challenge which carries inherent risks. It is our view that the council will need to increase its pace of change. We apply urgency to the Controller of Audit's conclusion that, to close this gap, the council will need to address and take difficult decisions about how it provides its services now and in the future. Clear leadership from members and officers will be required to deliver this change.
- 4** Such leadership will benefit from members using training and development opportunities more effectively, and senior management better ensuring that a stronger and more consistent culture of improvement permeates throughout each part of the organisation. We also underline the Controller's recommendation that the council develops an organisation-wide workforce plan, which will be central to setting out the shape of the council and securing change in the medium and longer term.
- 5** In our previous report, we noted that community engagement was a strength of the council. This record continues, and we encourage the council to see this as an opportunity to empower and engage fully with citizens and communities around how their future services should be shaped.
- 6** It is important that the council is better able to report more consistently and coherently – internally and to its citizens – about how it performs and where it needs to improve this performance.
- 7** While we note the conclusion of the Controller of Audit that the council has delivered its capital programme, we will continue our interest in how it has learned lessons from the independent inquiry into DG One about delivering major capital projects. We will also expect the Controller of Audit to update us as appropriate on developments in relation to the North West Community Campus.
- 8** In encouraging the council to increase its pace of change, we will maintain a close interest in progress. The Controller of Audit will monitor this through the annual audit and keep the Commission informed accordingly.

Audit approach



1. The statutory duty of Best Value was introduced in the Local Government in Scotland Act 2003. The Audit of Best Value is a continuous process that forms part of the annual audit of every council. Findings are reported each year through the Annual Audit Report. In addition, the Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first assurance report on Dumfries and Galloway Council. The findings from the previous [Best Value report on the council in 2009](#)  are summarised in [Part 5](#). The council's recent history and Best Value audit timeline is outlined in the [Appendix](#).

2. This report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, focusing particularly on the Commission's strategic audit priorities. We are looking for councils to demonstrate Best Value by showing they are continuously improving how they provide services. The pace and depth of this improvement is key to how well councils meet their priorities in the future.

3. Our audit approach is proportionate and risk-based; that is, it reflects the context, risks and performance of the individual council. It also draws on the intelligence gathered from audit and scrutiny work carried out in previous years. In keeping with this approach, we did some initial work to identify risks and council initiatives to build into the scope of our audit. This included:

- reviewing previous audit and inspection reports and intelligence
- reviewing key council documents
- meeting senior officers.

4. This helped us identify the key areas of focus for our audit ([Exhibit 1, page 7](#)).

5. We did the detailed audit work for this report in June and July 2018. Our work included:

- interviewing elected members and senior officers
- focus groups with staff
- observing a range of committee meetings and community engagement events
- reviewing documents
- analysing data.

Exhibit 1

Key areas of focus for our audit



The council's vision and priorities – how it aims to improve things for the people it serves in rural, remote and urban communities



Financial sustainability and planning – how well it's planning its finances now and for the future



Governance, openness and transparency – how well it's run, its checks and balances and how it's held accountable



Performance management, including outcomes and trends – how well it measures what it's doing to improve services for local people and how this has changed over time



Partnership working – how well it's working with its partners, such as other public bodies, local businesses, third sector and community groups



Community engagement and empowerment in a remote and rural context – how it consults and involves local people in providing local services, in particular to rural and remote communities



Service and improvement activity – what the council is doing to be sustainable for the future and improve how local council services are provided



Elected member involvement and engagement – what the council is doing to ensure effective decision-making

Source: Audit Scotland

6. The audit work was carried out by a joint team from Audit Scotland and Grant Thornton UK LLP, the appointed auditor. The 2017/18 Annual Audit Report of Dumfries and Galloway Council was completed in September 2018 and will be available on Audit Scotland's website from December 2018. Where appropriate, relevant findings are included in both the annual audit report and this Best Value Assurance Report. Audit work in future years, performed as part of the annual audit, will include a follow-up on the findings from this report as well as additional audit work on other Best Value characteristics as appropriate.

7. We gratefully acknowledge the cooperation and assistance provided to the audit team by all elected members, officers and stakeholders contacted during the audit.

Key messages



- 1** Dumfries and Galloway Council has made good progress since our last audit in 2009. It now has a clear strategic direction, underpinned by effective leadership and systems in place for planning, monitoring and continuing to improve.
- 2** The council's priorities have been maintained over five administrations and are reflected in council plans, strategies and policies. There is a clear link between the strategic priorities and the key challenges for the region.
- 3** The pace of improvement at the council increased from 2014 and must now increase again. The council has saved £86 million since 2010/11. Its current financial strategy estimates that it will need to make an additional £79 million savings by 2022/23. Achieving this will be challenging and elected members will need to make difficult decisions about services. Effective leadership from officers and elected members will be required so the council can transform at the pace needed.
- 4** Workforce planning needs to develop further. The council has had a workforce strategy since 2011 but has only had workforce plans for each directorate since September 2018. It now needs an overarching workforce plan that is linked to its agreed financial strategy and savings plans.
- 5** The 2009 report outlined community engagement as a strength. This continues to be the case. Working with local communities is part of the culture of the council and it is implementing its arrangements for community empowerment. The council works well with its partners and is committed to further developing its relations with local community councils, the third sector and other partners, including the South of Scotland Enterprise Agency and Borderlands Inclusive Growth Deal.
- 6** There has been a significant programme of improvement activities. Since 2010/11, the council has made savings and generally maintained or improved services to the public. However, there are some inconsistencies in how it has applied its improved processes across directorates.
- 7** National indicators show performance is mixed but indicators measuring services to the public have generally been maintained or improved. The council's response to underperformance varies. Its reported improvement actions are not always clear. The council and its community planning partners have received some critical external scrutiny reports on services for vulnerable people in the past.

- 8 Performance management arrangements have improved since 2009 although these should be improved further. The indicators the council uses to monitor progress against some of its priorities could be more informative; performance reports do not always show long-term trends, and some targets and indicators change. This makes it difficult to assess progress against the council's long-standing priorities.
-

Part 1

Does the council have clear strategic direction?



The council has a clear strategic direction and is committed to priority areas which link to the challenges it faces. The council's priorities have been maintained over five administrations and are reflected in council plans, strategies and policies

There is effective leadership of the strategic direction and good working relationships between members and officers.


The council has made good progress since our last Best Value audit in 2009.

The council is predominantly rural and faces a number of challenges

8. Dumfries and Galloway is the third largest council area in Scotland, and is predominantly rural with no city. Many people live closer to cities in England or Northern Ireland than to a Scottish city. Internet connectivity is poor in some areas. In 2018, 11 per cent of homes and businesses in Dumfries and Galloway were unable to connect to broadband download speeds of greater than ten megabits per second, compared to five per cent nationally.¹ Ofcom reports this is the broadband speed necessary to deliver an 'acceptable user experience'.² Dumfries and Galloway has the third largest road network in Scotland, a significant coastline and large areas of forest. Providing services that meet the needs of different remote and rural communities at a time of decreasing budgets is a particular challenge for the council.

9. Dumfries and Galloway has the lowest wage economy in Scotland and a low skilled workforce.³ The average gross weekly pay in Dumfries and Galloway was £460.50 in 2017, compared with £547.70 in Scotland. The council is the largest employer and most businesses in the area employ nine people or fewer. Farming is a big industry and the council area accounts for 45 per cent of Scotland's dairy cattle.⁴ Forestry and tourism are also significant employers.

10. Dumfries and Galloway is one of 11 councils in Scotland where the population is set to decrease.⁵ Projections show the number of working age people in Dumfries and Galloway will fall by 12 per cent between 2016 and 2041, compared to a one per cent increase nationally.⁶ In line with the rest of Scotland, the population is ageing, bringing additional demands for some services.

As the Accounts Commission highlighted in [Local government in Scotland: Challenges and performance 2018](#) , these factors have financial implications for councils:

- there will be fewer people to pay council tax
- a dwindling local workforce may make the area less attractive to businesses
- low population figures may make some services harder to sustain
- under current funding arrangements, councils with a projected decrease in population can also expect greater reductions to their national funding compared to councils with increasing populations.

The council has clear strategic priorities based on the needs of the area, underpinned by effective leadership

11. The council plan for 2017-22 sets out the council's vision, 'Dedicated to creating opportunity for all. We'll support ambition, promote and establish Dumfries and Galloway as the best place to live, work and learn.' This vision is supported by four priorities which are its strategic outcomes:

- build the local economy
- provide the best start in life for all children
- protect the most vulnerable people
- be an inclusive council.

There is a clear link between the strategic priorities and the key challenges for the region, such as the geography, low wage and skill economy and rural poverty.

12. Effective leadership and good working relationships from senior officials and elected members have ensured consistency in council priorities and direction over five different political administrations ([Appendix](#)). The council agreed its priorities in 2010 and these have been refined over time and largely reconfigured into the four priorities that were agreed in 2014. These priorities are supported by a number of commitments. Members and officers are committed to the council's strategic priorities which are reflected in council plans, strategies and policies.

13. The council structure changed during 2014/15, reducing from six departments to four directorates. The Strategic Leadership Team (the chief executive and four directors) work effectively as one team rather than individual directorates. This approach means they jointly agree plans and priorities and demonstrate shared ownership of decisions and effective leadership. This is a marked improvement since 2009 when we found a lack of strategic direction and leadership.

the council has successfully maintained a clear strategic direction through a series of political and structural changes

Part 2

How well is the council performing?



National indicators show performance is mixed. Indicators measuring services to the public have generally been maintained or improved

Performance management arrangements have improved since 2009 although these should be improved further. Some of the indicators the council uses to monitor progress against its priorities could be more informative, performance reports do not show long-term trends, and targets and indicators change. This makes it difficult to assess progress against long-standing priorities.

The council's response to underperformance varies and reported improvement actions are not always clear. The council and its community planning partners have received some critical external scrutiny reports on services for vulnerable people in the past.

National indicators show performance is mixed

14. The Local Government Benchmarking Framework (LGBF) allows councils to compare their performance to the Scottish average for a variety of indicators. Dumfries and Galloway Council's performance compared to other councils fell slightly between 2011/12 and 2016/17. Over this period, the percentage of indicators where Dumfries and Galloway Council's performance was poor compared to other councils in Scotland increased by six percentage points. The percentage of indicators where its performance was above average (in the top two quartiles) fell by six percentage points ([Exhibit 2, page 13](#)). Indicators measuring services to the public were generally maintained or improved.


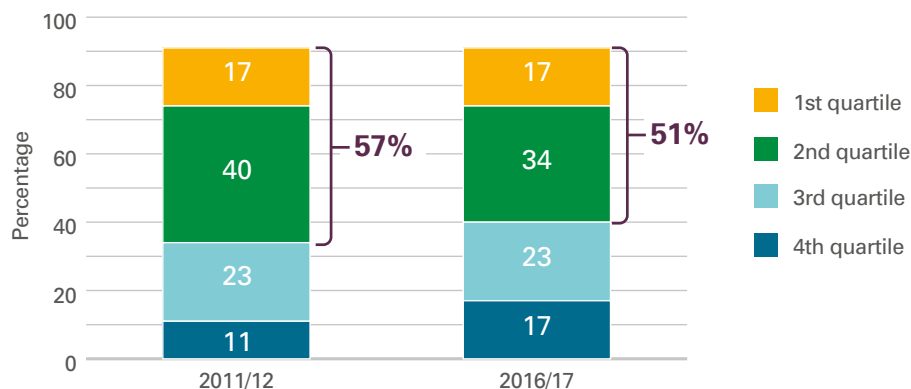
15. The Accounts Commission's report, [Local government in Scotland: Challenges and performance 2018](#)  selected eight indicators from the LGBF likely to be of significant interest to the public as they relate most directly to service performance. In line with national trends, Dumfries and Galloway Council has generally improved its performance against these indicators ([Exhibit 3, page 14](#)). Performance fell in one indicator, the percentage of adults with intensive care needs receiving care at home. However, in 2016/17 the council was the third best-performing council in Scotland for this indicator. Performance improved in the remaining seven indicators, but the council is one of the poorer performing councils for recycling.

Exhibit 2

Comparing Dumfries and Galloway Council's performance over time

The percentage of indicators where the council's performance was above average decreased from 57 per cent in 2011/12 to 51 per cent in 2016/17.



Notes:

1. Measuring council performance involved considering how all councils are performing, from lowest to highest, for each indicator. From this, it is possible to see how one council compares to all councils in Scotland. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile includes the poorest performing councils.
2. This analysis is based on 35, single-year, mainly outcomes-based, indicators which were reported on as part of the Local Government Benchmarking Framework every year within the six-year period. Where the council does not hold data for indicators we have excluded these from our analysis, which is why the total is not 100 per cent.

Source: Audit Scotland and *Local Government Benchmarking Framework*, Improvement Service, 2016/17

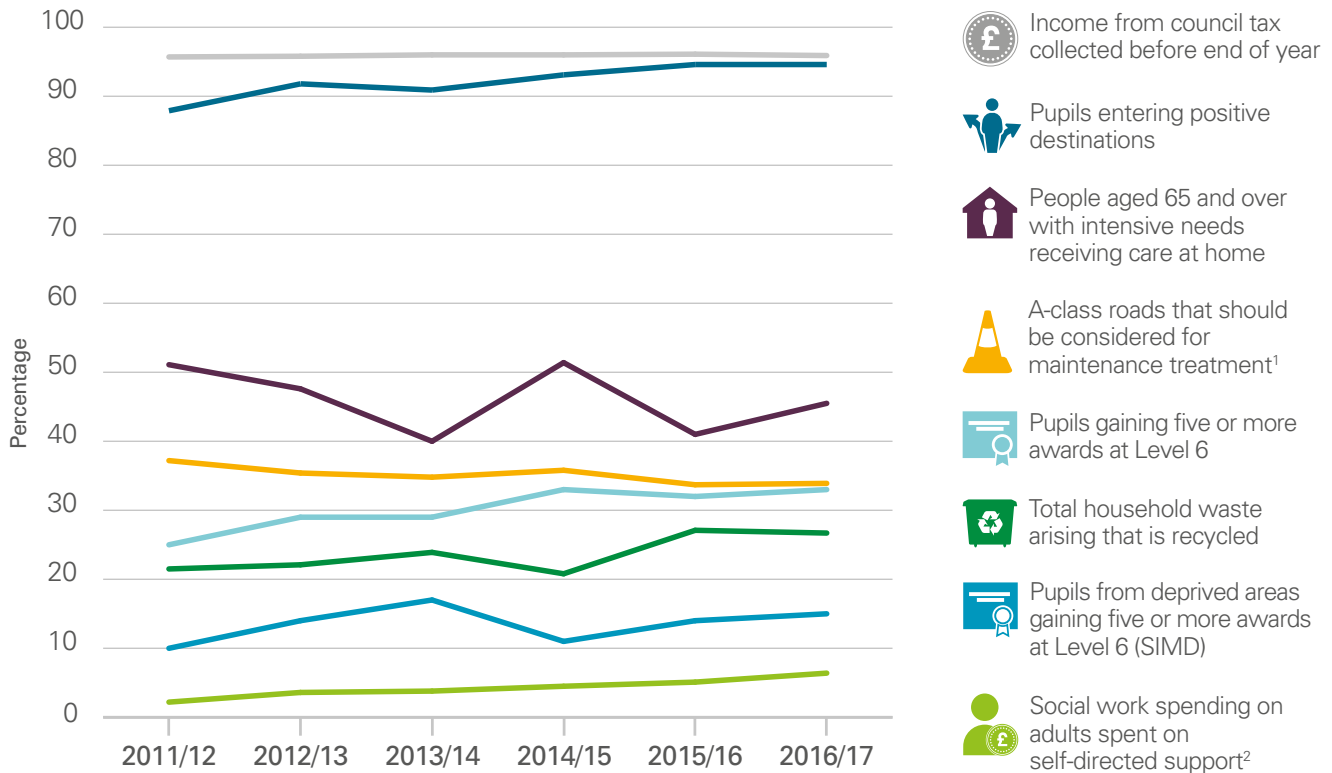
16. The council's poor performance in recycling is related to long-standing issues with its waste management contract. In 2004, the council signed a 25-year waste management contract that required all household waste to be collected in a single bin. Waste was taken to a central site and then sorted for recycling, composting and landfill. In 2012, the Scottish Government introduced new waste regulations that required recycling to be separated at the individual household level.⁷ As a result of the changing legislation, the council has been reviewing its options in respect of the waste contract. In September 2018, it agreed to end the contract and bring the service back in-house, at a cost of £6.8 million. The appointed auditor will follow this up as part of the 2018/19 annual audit.

17. The LGBF also shows that, in line with the national trend, satisfaction with most council services (except parks and open spaces) has declined over time. Satisfaction with leisure facilities has seen the biggest drop, falling by almost a fifth between 2014 and 2017. Less than half the population of Dumfries and Galloway are satisfied with their leisure facilities compared to three-quarters nationally. The council's own data also shows citizen satisfaction with council services has fallen in recent years, from 94 per cent in 2014/15 to 83 per cent in 2017/18.

Exhibit 3

Performance against selected indicators, 2011/12 to 2016/17

Performance has improved on seven of the eight indicators.



Notes:

1. The percentage of A-class roads that should be considered for maintenance treatment indicator is measured over two-year periods. For example, 2012-2014 is plotted as 2013/14.
2. Self-directed support (SDS) aims to give individuals who receive social care support, along with their carers and families, more choice over how their social care support is delivered. This is intended to improve outcomes for the individual.

Source: Audit Scotland and *Local Government Benchmarking Framework*, Improvement Service, 2016/17

The council should improve its performance management arrangements to make it easier to monitor progress against its long-standing priorities

18. In the 2009 *Audit of Best Value and Community Planning* [📄](#), the Accounts Commission criticised the council's performance management arrangements. The council has made progress improving its performance management arrangements. Performance indicators were agreed in 2010 and the council established an organisation-wide business planning and performance management framework in 2011. The council plan outlines clear links between the council's priorities and how it targets projects to improve performance in these priority areas.

19. The council uses around 160 indicators and 50 improvement projects to monitor its performance. Progress against these is reported, by directorate, each month to the chief executive and twice a year to service and area committees. The council also reports some performance data broken down to a local level to area committees.

20. Each year the council uses a subset of indicators and improvement projects to report progress against the priorities and commitments set out in the council plan. These performance reports are intended to summarise performance each year. They are clearly set out and include useful narrative. Since 2009, the council has also made progress in its public performance reporting and now has a useful online interactive tool.

21. However, some of the indicators the council uses to monitor progress against its priorities could be more informative. Council performance reports do not show long-term trend information, and targets and indicators change. For example, in the priorities and commitments reports between 2015/16 and 2016/17:

- 12 indicators (25 per cent) were removed
- four indicators (10 per cent) were added
- 14 targets (35 per cent) changed; nine were made more stretching and five were reduced. For example, the target for the percentage of homeless households permanently rehoused was reduced from 40 per cent of all social rented lets in 2015/16, to 20 per cent in 2016/17 and was increased back to 40 per cent in 2017/18.

There will be times when there is good reason for changes, but these should be clearly reported and kept to a minimum to allow for consistent reporting. These changes are confusing and make it difficult to assess progress in performance. The council should be able to maintain consistent performance indicators given the consistency of its strategic direction.

22. Given all the changes to measures and lack of trend information, it is difficult to come to a clear judgement on the council's performance. The council reported significant progress towards all its priorities in its 2016/17 annual priorities and commitments report. Our examination of the full set of indicators included in all directorate reports suggests that performance, although generally improving, is mixed.

23. The council should streamline all internal and public-facing performance reporting to focus on fewer but better key measures. This would make it easier to monitor progress against long-standing priorities. Given the remote and rural nature of the council, it could also consider whether there is scope to report variation in local performance data to service committees to ensure they have that oversight. The council is facing a significant financial challenge and clearer reporting should help elected members better understand trends in performance and make informed decisions.

The clarity and speed of the council's response to underperformance varies

24. As part of its performance management arrangements, the council uses exception reporting for areas of significant underperformance. This ensures that the council identifies failing performance and agrees how to respond. There is evidence of the council taking improvement action to address some performance issues. For example, the council is well below its target for Community Payback Orders that start within seven days.⁸ In response, it is working to improve information systems and is piloting having social work staff in court to allow them to engage with the offender straight after sentencing.

**the council
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performance
reporting**

25. However, exception reports vary by directorate. Some of the improvement actions in the reports are unclear and some do not give reasons for failing performance, meaning lessons for the future may not be shared. For example:

- reports often cite recruitment as a reason for failing performance but do not make clear how the council will resolve the specific recruitment problem
- there are significant delays in some improvement projects, but reports do not always give reasons for delays or improvement actions
- sometimes the council revises failing targets downwards, or removes them as not relevant, despite previous strong council performance. For example, growth in registered small and medium businesses was 255 in 2015/16 and fell to 150 in 2016/17 when the council discontinued the target. The council gave no explanation of why performance had fallen and removed the target, stating it was not a measure of solely council performance. Other measures that the council still monitors, such as the number of VAT-registered companies, are also not measures of solely council performance.

The council has received two critical inspections on services for vulnerable people

26. The council has been subject to a range of external inspections and scrutiny activity since 2009. In 2014, the Care Inspectorate published a highly critical report on services for vulnerable children provided by community planning partners in Dumfries and Galloway. The inspectorate reported that the council and its community planning partners had ineffective performance management arrangements and were not getting assurance that children and young people at risk of abuse and neglect were protected. The inspectorate recommended urgent action to ensure the protection of vulnerable children.⁹ In 2016, the inspectorate concluded that there had been progress in all areas for improvement and that a culture change was evident across all services.¹⁰

27. In 2014, the Scottish Housing Regulator raised concerns about the council's housing options and homeless service. The council took longer to respond effectively to these concerns. By 2016/17, the council had improved how quickly it responded to homeless applications. In 2017, the council allocated additional staff to its homeless service. It implemented a temporary housing options and homeless service improvement team to deliver improvements. One priority identified for improvement was to reduce the time that homeless households spend in temporary accommodation. Between 2016/17 and 2017/18 performance in this indicator improved from 108.6 days to 89.3 days. While the council has made improvements to the service, areas of risk remain. These include an increase in rough sleeping, repeat homeless applications and repeat homeless assessments. The regulator continues to monitor the service and work with the council to further improve it.

28. The improvements in performance in these services since the reviews in 2014 are positive, but the council and its partners were not sighted on the need for improvement in these services until this was raised by external scrutiny.

Part 3

Is the council using its resources effectively?



The council has successfully identified and delivered savings, making over £86 million of savings between 2010/11 and 2017/18. Over the medium term the position is challenging, with the council estimating that it needs to make further savings of £79 million by 2022/23

Given the financial pressures, elected members will need to make difficult decisions and demonstrate effective leadership and direction so that the council can transform at the pace needed to deliver the savings required.

The council has a transformation board that will be key in identifying savings options and business cases for change, for members to discuss and approve. Members will need to make key decisions on the savings options, so they can agree the budget in February 2019.

In April 2018, the independent inquiry into DG One, the council's leisure complex in Dumfries, outlined a series of areas for improvement. The council has taken steps to learn lessons for future capital projects. In September 2018, the council took the decision to close the new North West Community Campus in Dumfries until independent assurances could be given on its safety.

Workforce planning needs to develop further. Although the council has delivered specific initiatives to address problems of an ageing workforce and to recruit the right talent, it has only had workforce plans for all directorates since September 2018. It now needs an overarching workforce plan that is linked to its agreed financial strategy and savings plans to deliver transformation.

Financial management arrangements have effectively supported the council to deliver savings

29. The council has managed its finances well and delivered £86 million of savings between 2010/11 and 2017/18. Service committees and the council's Policy and Resources Committee monitor financial performance effectively.

30. Financial performance reported throughout the year is in line with the approved budget. The council has maintained its uncommitted general fund balance at two per cent of annual expenditure (£6.8 million). It had a general fund

balance of £49.7 million as at 31 March 2018. Of this, £42.9 million is committed or earmarked for specific purposes. This includes £3.5 million in a corporate change fund to help deliver additional in-year changes, savings and efficiencies linked to member priorities over and above those built into the approved budget.

31. The council's five-year financial strategy 2018/19 to 2022/23 highlights the financial challenges it is facing. Between 2018/19 and 2022/23 the council will have a funding gap (the difference between its income and spending) of £79.1 million, approximately 22 per cent of its annual revenue budget. The funding gap reduces to £56.1 million when the anticipated annual increase in council tax of three per cent a year is built into financial plans.

32. On 27 February 2018, the council agreed measures to reduce the three-year funding gap to £30.2 million, predominantly supporting the delivery of the financial plan in 2018/19 ([Exhibit 4](#)). The three-year funding gap is also based on an anticipated annual three per cent increase in council tax.

Exhibit 4

Budget gap 2018/19 to 2020/21

The council still has to agree £30.2 million of savings measures to be delivered by 2020/21.



Source: Audit Scotland and *Administration Budget 2018/19*, Dumfries and Galloway Council, February 2018

33. The council acknowledges that delivering the savings required means it will not be able to deliver the same services at current levels. This will result in elected members needing to make difficult decisions. The council will need to make these decisions in early 2019 as planned so there is enough time to implement the plans.

34. The council has recognised the scale of the future financial challenges and established a transformation board to lead its modernisation programme. The membership and remit of the transformation board has evolved since it was originally established in 2014.

35. The transformation board includes elected members, trade unions and senior officers to provide strategic oversight. It will develop savings options and business cases for consideration and approval through the budget process in early 2019.

The council has a framework in place to identify and deliver savings, but elected members will need to make difficult decisions to agree where the savings will come from

36. The council has a framework in place to evaluate and manage transformational activity to achieve financial savings. As part of the budget process for 2019/20, it is producing information packs of savings options and business cases that will go to all members in December 2018 for their consideration. The options will also go out for public consultation before the full council agrees the 2019/20 budget in February 2019. As part of this process the council will seek to get agreement for a three-year budget (2019/20 to 2021/22).

37. There is a risk that the plans prepared by officers through the transformation programme may not be accepted by members, and the council recognises that members will need to make difficult decisions related to future service provision. The savings options being identified will be evaluated against the council priorities and assessed based on the potential impact on services.

38. Recognising the level of savings required, it may be difficult for the council to maintain its focus on the strategic priorities without making compromises and changing the nature of the services provided by the council across diverse rural communities. Strong political leadership is required.

The council's capital investment strategy is aligned to key priorities

39. The council has a ten-year capital investment strategy up to 2025/26 which is updated annually. The strategy is developed to reflect the council's strategic priorities and is effectively linked to its treasury management strategy and future costs of borrowing.

40. The focus continues to be investment in the council's education facilities contributing to the Dumfries Learning Town project. While some individual projects have been delayed, the overall capital programme has been delivered, with over 97 per cent of available funding used during the year.

The independent inquiry into DG One identified lessons for the council when undertaking major projects

41. In July 2017, the council commissioned an independent inquiry to examine its DG One leisure facility in Dumfries. This was in response to significant building safety concerns and construction failures. The report identified major problems with the design and construction of the building, and council failings in leadership and project management, both through the duration of the original project which started in 2006 and a subsequent remediation project.¹¹

42. When the project was first approved by the council in 2006, construction costs were estimated to be £12.5 million. DG One subsequently opened in 2008 and was then closed by the council in 2014 because of building defects. In 2015/16, the council reached a settlement with the contractor for £9.5 million. At that point this was based on the £11.4 million cost of remedial work to make the facility fully operational. At April 2018, the final cost of the DG One project was estimated to be £33 million.¹²

43. The independent inquiry concluded that the council acted reasonably in accepting this offer, based on information available at the time, analysis and legal advice received. The inquiry sets out that given the circumstances and under the procurement strategy adopted, it would have been 'impossible' for the council to have foreseen the level of unidentified latent defects that were subsequently discovered. However, the inquiry did highlight that the council had missed opportunities to identify these.

44. The council has established an Executive Working Group to address the inquiry recommendations and has an action plan to deal with the issues it raised. While some of the project management and procurement issues reflected historic practices dating back to 2006 that the council no longer follows, it recognises there is scope for strengthening future project governance and decision-making. The appointed auditor will keep this under review.

The North West Community Campus in Dumfries was closed in September 2018 following safety concerns

45. In September 2018, the council took the decision to close the new North West Community Campus in Dumfries until independent assurances could be given on its safety. Members considered reports on the issue at the Children, Young People and Lifelong Learning Committee on 13 September 2018 and at the full council on 25 September 2018. The Scottish Futures Trust is in the process of appointing a consultant to carry out root cause analysis of construction quality failure at North West Community Campus. This report will be due within two months of the consultants being appointed. In October 2018, the contractors indicated they plan to complete necessary remedial works in December 2018. The council is continuing to keep this under review.

The council needs to further develop workforce planning

46. Workforce planning ensures councils have the right people with the right skills to deliver their priorities within their budgets. In 2009, we reported that the council had been slow to develop a workforce strategy. In 2011 it developed a strategy, and this was refreshed in 2015. The strategy required each directorate to produce a workforce and succession plan by 2016 which would be reviewed annually. Only one directorate, Corporate Services, had published a detailed directorate plan until September 2018, when workforce plans for all four directorates were published.

47. As the majority of council spending is on staff, it is likely that a significant proportion of its savings over the next few years will come from staff reductions and changes. In order to manage these changes effectively, the council needs an overarching workforce plan that is aligned and integrated to its financial strategy and savings plans.

48. Workforce and succession planning are particularly important for Dumfries and Galloway as the council has an ageing workforce, with over 44 per cent of staff aged over 50 years. Dumfries and Galloway Council runs a number of schemes to attract new talent and improve the skills of its current workforce. The council's 'Grow Your Own' scheme is retraining staff in areas that are struggling to recruit new staff, for example it has been successful in filling teacher vacancies, something other councils struggle with. The scheme also attracts and trains new staff in posts that previously required professional qualifications at entry level, for example trading standards officers.

49. Improving employee engagement, for example by better communication and consultation, is one of the main themes identified in the 2015 workforce strategy. The council runs monthly staff surveys and each directorate regularly publishes staff newsletters and holds focus groups, engagement and feedback sessions across a range of services. In 2016/17, 84 per cent of responses in monthly surveys were positive. However, response rates to monthly surveys are generally low, at around 12 per cent. There is evidence the council uses feedback from surveys and engagement sessions to share good practice and inform its decision-making. However, feedback from the selection of frontline staff we spoke to suggested that the extent to which staff feel engaged varies by directorate and area. There is also wide variation by directorate in the response rate to the monthly staff survey.

50. In 2017/18, the completion rate for annual staff performance development reviews ranged from 97 per cent in the Communities directorate to 62 per cent in the Economy, Environment and Infrastructure directorate. The council plans to refresh its performance development review policies and procedures in 2018/19 to improve staff engagement and completion rates across the council.

Part 4

Is the council working well with its partners?



The council works well with its partners

The council has embraced community engagement. Working with local communities is part of the culture of the council and it is implementing its arrangements for community empowerment.

Arrangements for integrated health and social care services are progressing well. The Community Planning Partnership has a clear focus on reducing inequalities.

The council is committed to wider, more strategic partnership working, with neighbouring councils and enterprise agencies, to support its priority of building the local economy.

The council is working to develop its partnerships with community councils and the third sector.

Working with local communities is part of the culture of the council




51. Listening to and working with communities is part of the culture of the council. It has established a community planning and engagement team and has a comprehensive community participation and engagement strategy.¹³ Over 100 council officers, community planning partners and elected members have received training on best practice in community engagement since 2015. The council uses a range of ways to ensure communities are involved in decision-making. It holds public consultations on major policy decisions, involves communities in decisions about services, targets specific, seldom heard groups and uses the results to make change happen. For example, its Tackling Poverty Reference Group includes 30 people who have lived in, or are living in, poverty. The council uses their feedback to improve services by removing barriers for those living in poverty. The group has been involved in developing council and community planning partnership strategies, such as the homeless strategy and locality plan. It has also influenced the council's approach to tackling fuel poverty.

52. In 2016, the council created a new ward officer role for each of its 12 wards. Ward officers talk to and work with local communities, councillors and partners such as the third sector. They are located in wards and organise events for communities to engage with elected members on topics chosen by the communities. In May and June 2018, the council piloted 'community conversations' to encourage communities to influence spending and delivery of its 'Streetscene' services, which include grass cutting, floral displays, school crossing patrols, litter picking and burials. Ward officers led on these

the council uses a range of ways to involve communities in decision-making

conversations. The council is exploring how it can use community conversations in the future to gather feedback on other council services and budget decisions.

53. The council has made progress implementing the requirements of the **Community Empowerment (Scotland) Act 2015** . In 2017/18:

- nine **community asset transfers**  had been completed. There were also 20 indications of interest (stage one applications) and four formal applications in progress (stage two)
- the council funded 20 **participatory budgeting**  projects. These were all focused on efforts to tackle poverty
- the council received five expressions of interest for **participation requests**  but did not receive any formal requests.

54. Supported by ward officers, communities are playing a greater role in prioritising and providing council services, building on the area's traditionally strong sense of community. In 2016/17, over 1,200 volunteers and 330 community groups helped to deliver the council's services. For example, the council has provided training and equipment to communities in Kirkconnel, so they can cut the grass within their community. Cuts are now alternated between the community and the council.

55. Despite significant efforts in community engagement, results of the 2016 Scottish Household Survey imply that the council could do more to help communities feel empowered. Of 250 respondents from Dumfries and Galloway, only 11 per cent felt that they could influence decisions in the area (compared to 23 per cent nationally). This is a decrease of seven per cent compared to 2012, although it is based on small numbers.

The council is developing its partnerships with the community councils and the third sector

56. Community councils are statutory voluntary organisations run by local residents who represent their local area in dealings with the council.¹⁴ In April 2016, Dumfries and Galloway Council disestablished 36 community councils, following their failure to comply with the scheme of establishment, which sets out how they should operate. In response to a number of complaints from community councils on the clarity of the process, the council carried out a series of public consultations to review the scheme between 2016 and 2018. Members agreed to implement the revised scheme in September 2018. The council hopes this will clarify relationships and help community councils in their role of coordinating communication between the council and local communities.

57. The council is also developing its relationship with the third sector. For example, in January 2018, Education Scotland reported that there was scope for improving the voice of community organisations in the area, and that while good informal networks exist, it was not always clear where the third sector should go for advice.¹⁵ In response, the council and its Community Learning and Development partners plan to improve the support they provide to the third sector and develop a more coordinated approach to volunteering. It is particularly important given the remote and rural nature of the region, and the reduced budgets, that the council works effectively with other organisations and groups such as community councils and the third sector to help achieve its priorities.



The **Community Empowerment (Scotland) Act 2015** gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved. For example:

Community asset transfers – where communities can take responsibility for land and buildings.

Participatory budgeting – where communities can have a say in how the council should spend money locally.

Participation requests – where people can ask to take part in decisions about council services.


The community planning partnership is working to reduce inequalities

58. The 2009 Best Value report found that the council and community planning partners shared a clear vision for the area. This continues to be the case. The **Community Planning Partnership's (CPP's)**  vision is 'working together to create an ambitious, prosperous and confident Dumfries and Galloway where people achieve their potential'. The CPP has a good understanding of local needs and issues. Plans are based on research, data analysis and feedback from a range of CPP and other stakeholders, including third sector organisations and individuals with experience of inequality. The CPP plans to invite community council representatives to meetings once their scheme of establishment has been fully implemented.

59. The CPP has produced a Local Outcomes Improvement Plan (LOIP) which links to the four priorities outlined in the council plan ([paragraph 11](#)). The LOIP 2017-27 sets out eight outcomes (such as reducing health and wellbeing inequalities) which the CPP is working to improve. The CPP used local data to identify groups that are most disadvantaged and directs its efforts towards these under each LOIP outcome. The LOIP performance management framework draws on performance reported against strategies and projects of the council and other partners, alongside case studies. At the time of our report, the CPP partners and other interested groups were developing their first performance report.

60. The CPP has also developed a single locality plan to tackle food poverty. This innovative approach is based on academic research which recognised that there are pockets of poverty in Dumfries and Galloway that are not always represented by national measures.¹⁶ The CPP also sought feedback from the Tackling Poverty Reference Group. This highlighted gaps in food bank provision across the region and a need for more coordinated arrangements to make it easier for people in poverty to access help. The locality plan for Dumfries and Galloway aims to achieve four outcomes by 2027, for example providing support to people who need help with food where, when and how they need it. The CPP recognises the challenges of tackling food poverty in remote and rural areas, such as the presence of stigma in small communities. It is aiming to raise awareness of this through training officers, board and elected members, teachers and others.

Arrangements for integrated health and social care services are progressing well

61. The **Integration Joint Board (IJB)**  was established in October 2015. It includes all acute health board services, such as hospitals, along with community health and social care, mental health and information management services.

62. Building on the historically good relationships with the NHS in Dumfries and Galloway, the IJB has a culture of open and effective communication between partners. It has made good progress in developing its governance arrangements. It has set up three committees to support its work and performance is reported quarterly to the Finance and Performance Committee. Dumfries and Galloway IJB held its performance reviews in public in 2017 and 2018. These reviews look at where the IJB is in terms of delivering its strategic plan.



Community Planning Partnerships are statutory forums for councils, NHS boards and other public and third sector bodies, such as charities and voluntary groups, to work with local communities to plan and deliver better services.



Integration Joint Boards include the council, the NHS board and other stakeholders, such as the third sector. They are responsible for planning the delivery of health and social care services. Councils and health boards delegate budgets to the IJB and the IJB decides how to use these funds to achieve its planned objectives. The IJB then directs the NHS board and council to deliver services.

The council demonstrates a commitment to wider, more strategic partnership working

63. The **Borderlands Inclusive Growth Deal**  and **South of Scotland Enterprise Agency**  are two developments that should directly help support the council's priority of economic growth. While both initiatives are in the early stages and plans still need to be clarified, officers, members and the CPP are supportive of the developments. The council is playing a key role in developing plans and priorities for them both.

64. It will be important that the council continues to work with a wide range of partners, including the third sector and local business, to maximise the impact of these, and other, developments. This is particularly important given the remote and rural nature of the region and the future financial pressures the council faces.



The **Borderlands Inclusive Growth Deal** involves a partnership between Dumfries and Galloway Council and Scottish Borders, Cumbria County, Northumberland County and Carlisle councils. The partnership has proposed projects intended to transform the economy of the five councils. The outline business case was submitted to the UK and Scottish governments in September 2018.

In June 2017, the Scottish Government announced that it would establish a **South of Scotland Enterprise Agency**, as part of its **Enterprise and skills review: report on phase 2** . The agency aims to enable the area to grow in ways that benefit all sectors of society in the region. In January 2018, 20 representatives from the public and private sector formed a partnership to support the development of the enterprise agency which is expected to be operational by 2020/21.

Part 5

Is the council demonstrating continuous improvement?



The council has made good progress since 2009. The pace of improvement increased from 2014 and now must increase again

There has been a significant programme of improvement activities. Since 2010/11, the council has saved £86 million and generally maintained or improved services to the public. However, there are some inconsistencies in how it has applied its improved processes.

The council needs to make £79 million savings by 2022/23. Achieving this will be challenging and elected members will need to make difficult decisions about services. The council will then need to implement plans to make the savings. Effective leadership from officers and elected members will be required so the council can transform at the pace needed.

Decision-making is open and publicly available but there are some risks around arrangements for scrutiny by elected members

65. Council business is transparent. Agendas and reports are available on the council's website before committee meetings, decisions are clearly documented, meetings are recorded, and the recordings are publicly available.

66. We observed scrutiny and challenge taking place across all service committees. In 2017, the council established an Audit, Risk and Scrutiny Committee. Prior to 2017 it had a separate Scrutiny Committee and an Audit and Risk Committee. This is a new development for the council and there are risks in how it balances the priorities between risk, audit and scrutiny. The appointed auditor will continue to monitor the impact of this change.

67. The council has worked with elected members over a number of years to develop member training. In 2017/18, the council offered training for members on 40 different topics, including scrutiny, planning, participatory budgeting and capital investment. This programme is closely aligned to the Improvement Service's political skills framework and was considered and agreed by members.¹⁷ However, attendance was low. In 2017/18, 37 per cent of elected members attended the face-to-face training courses and nine per cent attended the e-learning courses. This low uptake poses a risk that members will not have the skills and knowledge required to effectively scrutinise options and plans, including crucial savings options and workforce plans.

68. Some elected members we spoke to said that the quality and suitability of reports for consideration at committees was mixed and that some reports were too long and detailed to be used effectively. Officers told us that the length of reports reflected members asking for more information and that sometimes members delayed making committee decisions until further information was detailed in the reports. Members and officers should work together to agree what information is required. Officers should then ensure all required information is provided as clearly and concisely as possible.

The pace of improvement increased from 2014 and now must increase again to meet the challenges the council faces

69. The Strategic Leadership Team has invested significantly in self-evaluation and improvement exercises at strategic and service levels. Following our 2009 Best Value report, the council focused on developing key building blocks, it:

- agreed its priorities (2010)
- introduced self-evaluation using the Public Service Improvement Framework and identified priority areas for improvement (2010)¹⁸
- developed a performance management system and introduced business plans (2011), which clarified how the council reported and used performance information
- carried out assessments on individual services (2011)
- introduced service reviews involving staff and community input (2013)
- trained staff to enable and empower them to improve day-to-day processes (ongoing from 2013).

70. These developments happened during a period of political change for the council ([Appendix](#)) and provided a good base for more significant structural changes. From 2014, there was greater political stability and the pace of improvement activity increased, with the introduction of the Business Transformation Board and the council's first major programme of change 'Reshaping the Council'. The council streamlined its structure, reducing from six departments to four directorates, reduced its workforce by seven per cent to 5,132 full-time equivalent employees and undertook a programme of 18 service reviews. The relevant service committees considered comprehensive reports of each review, including savings options, and decided on specific improvement activities.

71. Business plans for each new directorate were refreshed in 2015 to give closer alignment with the council's priorities. All directorates have business plans that include improvement plans that are linked to the strategic priorities and service reviews. Between 2015 and 2016 the council finalised a number of key strategies and plans, for example its regional economic strategy (2016-20) and its workforce strategy (2015-20). It also introduced a three-year financial strategy in 2016/17 which was then replaced with a five-year strategy in 2018/19. In September 2017, the council produced its Council Plan 2017-22. In September 2018, the council refreshed its business plans. The council plan and business plans clearly link the council's vision to its four priorities and supporting plans and strategies.

72. The council’s approach to risk management has evolved since 2009. The council is able to articulate the strategic risks it faces which may result in a failure to achieve the council’s priorities. The key risk highlighted in all workforce plans is recruiting and retaining staff with the appropriate skills.

73. Since 2010/11 the council has saved over £86 million and generally maintained or improved services to the public. The council has made clear progress in many areas but there is some evidence of inconsistencies. For example, the quality of exception reports ([paragraph 25](#)) and the proportion of staff having annual performance development reviews varies by directorate ([paragraph 50](#)). The council needs to ensure all parts of the council apply developments consistently.

74. The council is in a much stronger position than it was in 2009 ([Exhibit 5](#)). It has made considerable progress in leadership, strategic direction and improvement activities. It has systems in place for planning, monitoring and continuing to improve. The scale of the budgetary challenge means the council must now increase its pace of improvement. Members have still to agree where savings will come from. The council also lacks comprehensive plans detailing what the workforce will look like in terms of numbers and skills in the medium or long term. These are key risks to the council’s ability to meet the financial challenge it is now facing, while trying to meet the needs of remote and rural communities. The council needs effective leadership from officers and elected members, so it can transform at the pace needed.

**the council
has made
good
progress
since 2009**

Exhibit 5

Comparing selected Best Value judgements, 2009 and 2018

Dumfries and Galloway Council has improved, particularly in those areas where it was previously weak.

Controller of Audit judgement	2009	Controller of Audit judgement	2018
Strategic direction	There is insufficient leadership and clarity on the strategic direction of the council. Political leadership has not provided sufficient strategic direction and senior managers have not provided clarity or coordination in the delivery of corporate objectives.		The council has made significant progress since 2009. It now has a clear strategic direction, underpinned by effective political and officer leadership.
Performance	Performance management is poor. The council’s reporting on its performance to the public and its own committees is not systematic or balanced. Performance lags behind that of many other councils and the rate of improvement is slower.		National indicators show performance is mixed but indicators measuring services to the public were maintained or improved. The council has made progress in developing its performance management arrangements, but performance reports should be improved to focus consistently on key measures. This would make it easier to monitor progress against long-standing priorities.

Cont.

Exhibit 5 (continued)

Controller of Audit judgement	2009	Controller of Audit judgement	2018
Resources	<p>The council does not manage its resources effectively to deliver Best Value and continuous improvement. Its approaches to managing risk, asset management and corporate workforce planning and management are all poor or underdeveloped. Financial and service planning are insufficient and despite significant financial challenges, the council does not undertake longer-term financial planning.</p>	<p>The council manages its financial position well and has delivered over £86 million of savings since 2010/11. It faces increased financial challenges and its medium-term financial plan forecasts that it needs to make £79 million savings over five years. Work is under way to identify savings options, but delivering these will be a significant challenge while maintaining a focus on strategic priorities and being responsive to local needs.</p>	
Working with partners	<p>The council and its partners demonstrate a strong commitment to achieving the priorities and vision set out in the Single Outcome Agreement. Joint working is effective but there is room for improvement in the working relationship between the council and the sizeable third sector.</p>	<p>The council works well with its partners. The CPP has a clear focus on reducing inequalities. Arrangements for integrated health and social care services are progressing well. The council is further developing its relations with local community councils, the third sector and other partners, including the South of Scotland Enterprise Agency and Borderlands Inclusive Growth Deal.</p>	
Community engagement	<p>The council engages well with local communities but lacks a coordinated approach to ensure the best use of resources. The council has a good range of approaches for engaging with different population groups and with groups who are sometimes excluded or disadvantaged.</p>	<p>Community engagement continues to be a strength and the council is building on this through the Community Empowerment Act. It has made progress in transferring assets and giving communities a greater role in prioritising and providing services.</p>	
Continuous improvement	<p>Managerial leadership has not driven change or fostered a culture of continuous improvement in services. The council does not have an effective approach to continuous improvement. Its financial focus has put greater emphasis on securing budget savings than on carrying out reviews with wider objectives of improving service quality or reconfiguring services.</p>	<p>There has been a significant programme of self-evaluation and improvement activities. There are some inconsistencies in how the improved processes are applied across directorates. The council has laid strong foundations for change and now needs to build on these to address the significant funding gap it faces, while meeting the needs of remote and rural communities.</p>	

Source: Audit Scotland

Recommendations



The council should:

Finalise and agree its long-term savings plans and move to delivering the savings, given the increasing scale of the financial challenge. ([paragraphs 31–38](#))

Develop its first organisation-wide workforce plan which details the numbers and skills of staff required in the medium and longer term. ([paragraphs 46–48](#))

Ensure all staff engagement, performance management and improvement processes and practices are applied consistently across the council area and directorates. ([paragraphs 25, 49–50](#))

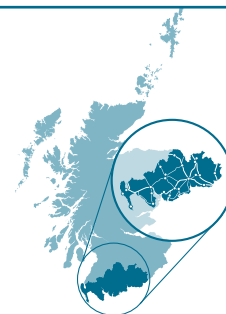
Review its performance management arrangements and refine its performance indicators to focus on fewer but better indicators which demonstrate progress against priority areas over time. More consistent reporting will allow trends to be easily assessed, ensure performance reports are balanced and aid elected members in making difficult decisions as budgets tighten. Given the large number of remote and rural communities throughout the council area, consideration should be given to indicators that demonstrate variation at a local level. ([paragraphs 18–23](#))



Work with community councils to implement improved ways of working together to maximise the input and added value community councils can bring. ([paragraph 56](#))

Work with members to understand reasons for low attendance at training courses and agree action to improve current rates. ([paragraph 67](#))

Work with members to agree what level of information is required in committee reports and ensure reports to members are as clear and concise as possible. ([paragraph 68](#))

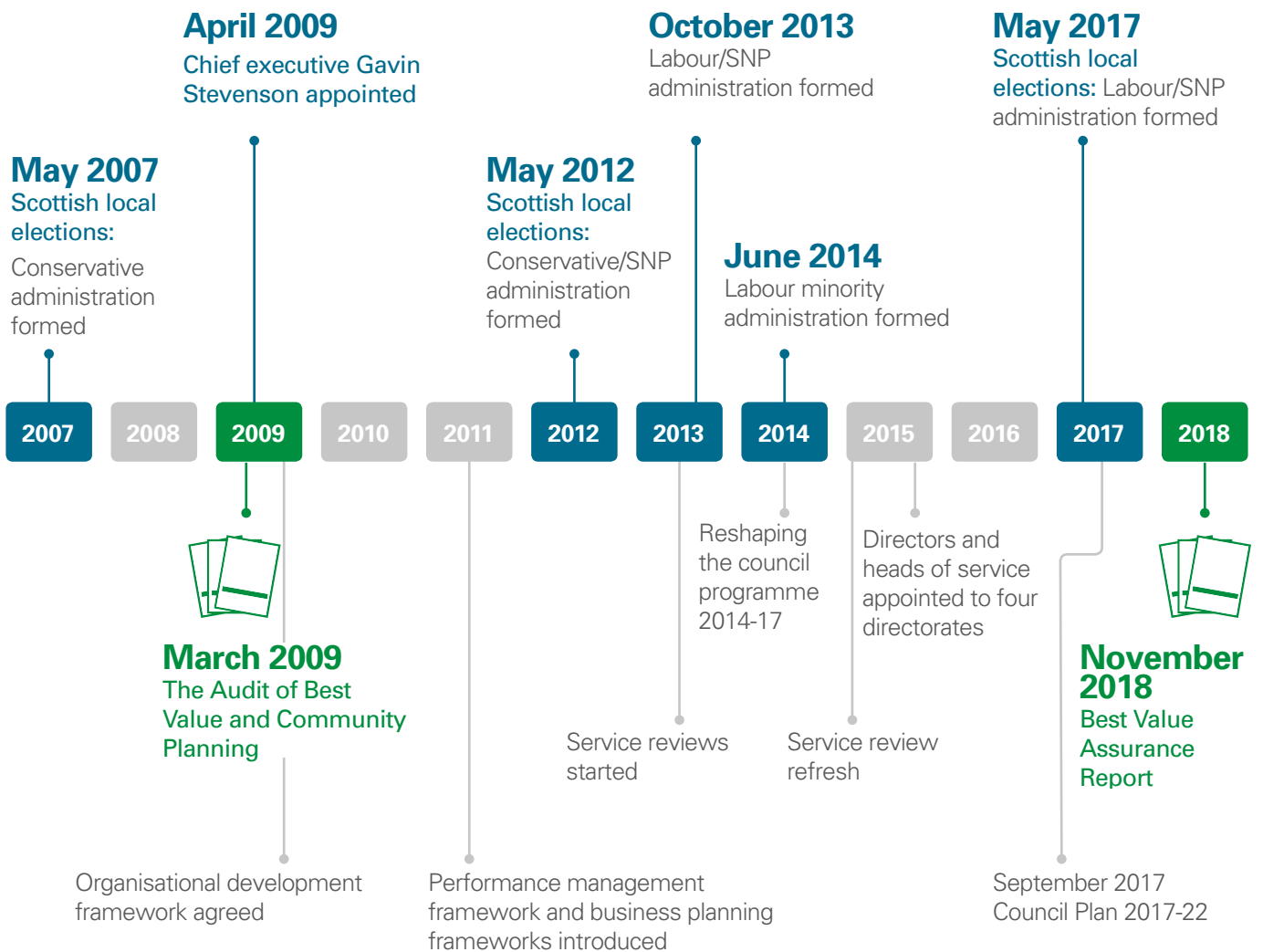
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- 1 [Superfast broadband for Scotland: Further progress update](#) , Auditor General for Scotland, September 2018.
- 2 *UK home broadband performance: a consumer summary of fixed-line broadband performance provided to residential consumers*, Ofcom, 2016.
- 3 *Official labour market statistics: earnings by residence*, NOMIS, 2017.
- 4 *Agriculture statistics: cattle*, Scottish Government, 2016.
- 5 [Local government in Scotland: Challenges and performance 2018](#) , Accounts Commission, April 2018.
- 6 *Population Projections for Scottish Areas (2016-based)*, National Records of Scotland, 2018.
- 7 *The Waste (Scotland) Regulations 2012*, Scottish Government, 2012.
- 8 A Community Payback Order can be imposed on an offender by the court following a criminal conviction. This is as an alternative to a custodial sentence. Community Payback Orders impose certain requirements on the offender, such as the requirement to carry out unpaid work in the community.
- 9 *Services for children and young people in Dumfries and Galloway*, Care Inspectorate, 2014.
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- 13 *Community Participation and Engagement Strategy*, Dumfries and Galloway Council, March 2017.
- 14 *Community councils*, Scottish Government, 2018.
- 15 *Inspection of Community Learning and Development in Dumfries and Galloway Council*, Education Scotland, January 2018.
- 16 *Poverty and deprivation in Dumfries and Galloway*, The Crichton Institute, 2015.
- 17 *CPD Framework for Elected Members in Scottish Local Government*, Improvement Service.
- 18 *Public Service Improvement Framework*, Improvement Service, 2010.

Appendix

Best Value audit timeline



March 2009 – The Audit of Best Value and Community Planning:

The Accounts Commission (the Commission) published its last Best Value report on Dumfries and Galloway Council in March 2009. The Commission highlighted weaknesses in leadership and direction by both elected members and senior management. It also highlighted weaknesses in financial planning and performance management, preventing the council from delivering Best Value.

November 2018 – Best Value Assurance Report:

The Controller of Audit will present a Best Value Assurance Report to the Accounts Commission at least once during the five-year audit appointment for each council. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a focus on the Commission's strategic audit priorities.

Best Value Assurance Report Dumfries and Galloway Council

This report is available in PDF and RTF formats,
along with a podcast summary at:

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