

## Best Value Assurance Report

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# Inverclyde Council



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
June 2017


# 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.

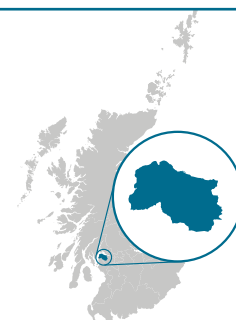
Our work includes:

- 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.

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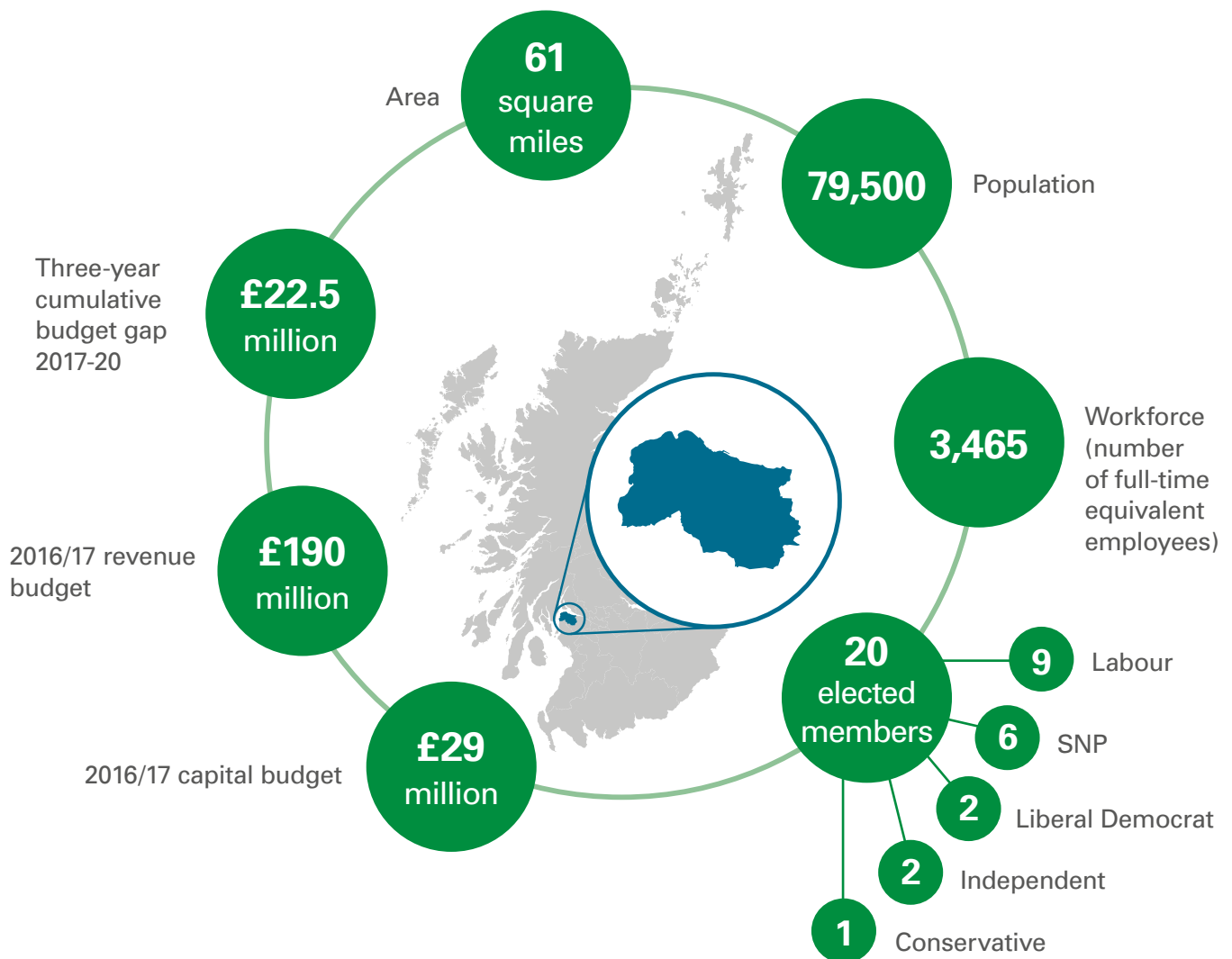
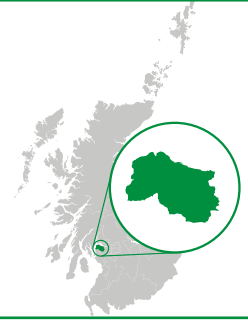
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# Key facts

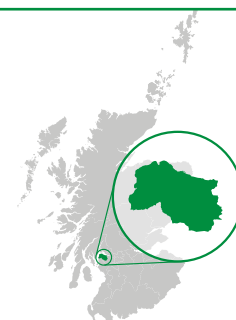


Note: This reflects the political make-up at the time of the audit work up to 4 May 2017.

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# Commission findings

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The Commission accepts the Controller of Audit's report on the audit of Best Value in Inverclyde Council. We endorse the recommendations set out by the Controller of Audit in his report and expect the council to act upon them.

In its new approach to auditing Best Value, the Commission's expectation of councils is that they are clear on their priorities, continuously improving their services in line with these, and making best use of their resources. We are pleased that Inverclyde Council has shown progress in the pace, depth and continuity of improvement since our previous Best Value reports. Evidence in the Controller's report of service improvement driven by targeted investment and based on good use of performance information underlines this positive direction and indicates a culture of performance management within the council.

At the core of the progress made by the council has been a clear long-term vision and effective leadership by elected members and senior officers, together with a strong commitment to working in partnership with other public bodies and local communities. We recognise, however, that the challenges involved in improving outcomes for the people of Inverclyde are substantial. We therefore urge the council and its partners to ensure that their plans and resources are fully aligned with the desired outcomes and the milestones needed to reach these. In this context we give particular weight to the recommendations in the Controller's report related to key partnership projects such as those for the City Deal and shared services. Given the strategic importance and complexity of these projects, it is essential that appropriate governance and risk management arrangements are in place for their delivery. We acknowledge that the council has a sound approach to financial planning and management which has helped identify budget options for decisions still to be taken by councillors. We lend weight to the recommendation that a review of earmarked reserves feature as part of this budget process.

We encourage the council to continue its good progress. In line with our new approach to auditing Best Value, we expect the Controller of Audit to monitor this through the annual audit and update the Commission accordingly.

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# Audit approach

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**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. Audit conclusions are reported each year through the Annual Audit Report, addressed to the Controller of Audit and the councillors. In addition, the Controller of Audit will present a Best Value Assurance Report (BVAR) to the Accounts Commission at least once during the five-year audit appointment for each council. This is the first BVAR on Inverclyde Council under the revised arrangements. [Appendix 1](#) summarises the findings from previous Best Value reports on the council.

**2.** This report seeks to provide the Accounts Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities covering:

- the clarity of council priorities and quality of long-term planning to achieve these
- how effectively councils are evaluating and implementing options for significant changes in delivering services
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities
- how effectively councils are involving citizens in decisions about services
- the quality of council public performance reporting to help citizens gauge improvement.

**3.** We are looking for councils to demonstrate Best Value by showing continuous improvement in how they deliver their priorities. The pace, depth and continuity of improvement are key to how well councils meet those priorities in the future. Throughout the report we show how we have assessed the council's improvement over time and conclusions are reflected in the key messages in the report.

**4.** Our audit approach is proportionate and risk-based and is reflective of the context, risks and performance of Inverclyde Council. It also draws on the intelligence from audit and scrutiny work carried out in previous years. In keeping with this approach we conducted some initial work to define the scope of our audit. This included reviewing previous audit and inspection reports, intelligence, council documents, initial meetings with senior officers and reflecting on our wider public sector knowledge and experience. [Exhibit 1 \(page 7\)](#) shows the key areas we focused on for our audit of Inverclyde Council.

## Exhibit 1

### Key areas of focus for our audit



The council's vision



Performance and outcomes



Change and improvement plans including:

- shared services
- the City Deal
- digitalisation of services
- difficult decisions and protected services



Process and results of self-evaluation



Financial management and financial planning



Workforce planning



Community and citizen engagement



Arm's-length external organisations' (ALEOs') governance arrangements

Source: Audit Scotland

**5.** The detailed audit work for this report took place in January and February 2017. Our audit work included:

- interviewing councillors, senior officers and partner organisations
- observing a range of council and committee meetings
- reviewing documents
- conducting focus groups with councillors and officers.

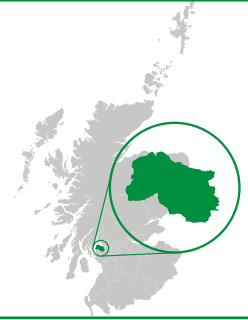
**6.** This report reflects the work done on the key areas of focus noted above. The work covers a number of Best Value characteristics included in the statutory guidance (2004), but does not cover them all. Audit work in future years, as part of the annual audit, will include follow-up on the findings from this report as well as more detailed audit work on other Best Value areas, as appropriate.

**7.** We gratefully acknowledge the cooperation and assistance provided to the audit team by all councillors and officers contacted during the audit.

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# Key messages

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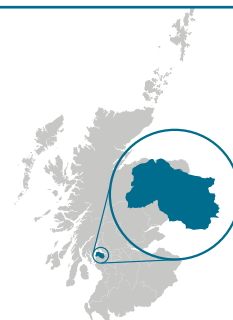


- 1** Since the 2005 Best Value report Inverclyde Council has changed significantly, improving the way it manages services and developing a positive culture of improvement. Service performance has improved overall and improvement activity is happening across the council.
- 2** Inverclyde Council has made significant progress over the last ten years to address weaknesses highlighted in previous Best Value reports. In 2005, the Accounts Commission's findings highlighted extensive and fundamental weaknesses in leadership and direction, preventing the council from delivering Best Value. Since then, the council has built a positive working culture in the organisation that supports innovation. Key elements contributing to this include a clear vision and stable, effective leadership.
- 3** A range of improvement activity takes place across the council but it needs to be clearer how this activity makes a difference to the outcomes the council and its partners want to achieve. All partners share the central vision, but the different sets of outcomes and indicators between the council and partners are confusing. The council needs to set out in more detail what achieving its wellbeing outcomes looks like in the short, medium, and long term.
- 4** The council has improved its service performance in many areas and has maintained the performance of its high-performing areas. There are good examples of the council using performance information to target investment at poorly performing areas, such as investment in roads to improve their condition.
- 5** The council's financial management is effective, and it has a good medium to long-term financial strategy. It has built up its reserves over a number of years and the level of usable reserves is significant for the size of council. Like many councils, it faces a significant savings gap in the medium term. It has developed detailed savings options for councillors to consider following the local government election in May 2017. An element of reserves is being used to fill the funding gap in 2017/18.

- 6 The council has demonstrated a commitment to delivering services differently in Inverclyde. It has a history of working well with partners. Over the last ten years it has been involved in a number of initiatives, including shared services and arm's-length external organisations, to change the way it delivers services.
- 7 The council has good examples of how it has actively sought the views of the community and involved the community in decision-making. It now needs to consider how to use this experience to help deliver the more demanding requirements of the Community Empowerment Act.

# Part 1

## Does the council have clear strategic direction?



### The council is dealing with the challenges in Inverclyde through effective leadership and shared ownership of a clear vision

Councillors, staff and partner organisations share a clear commitment to the vision of 'getting it right for every child, citizen and community'. However, the different sets of outcomes and priorities to deliver this vision are confusing.

Leadership is effective and there is good collaborative working in the council, with the Corporate Management Team setting a good example by working effectively together.

Councillors and officers have constructive working relationships.

### The area of Inverclyde faces many challenges

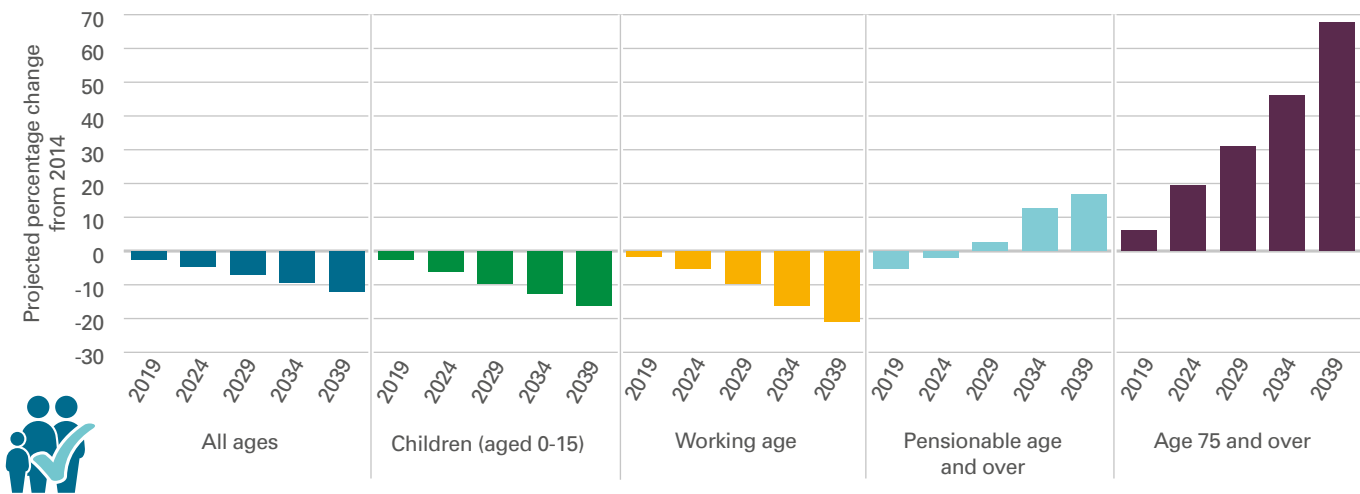
**8.** Inverclyde is in west central Scotland and is one of the smallest Scottish councils in terms of area (29th out of 32) and population (28th). The area faces a number of challenges including a reducing population, high levels of economic deprivation, and relatively poor health outcomes.

**9.** A priority for the council and its community planning partners is encouraging more people to come and live in the area. Over the last 35 years the number of people living in Inverclyde has fallen by 21 per cent. It is expected the population will fall by a further 12 per cent between 2014 and 2039.<sup>1</sup> This is the second highest projected fall in a Scottish council area. Between 2014 and 2039 the number of people of working age in Inverclyde is expected to fall by 21 per cent and the number of children by 16 per cent. The number of people living in Inverclyde of pensionable age is expected to increase by 17 per cent ([Exhibit 2, page 11](#)). These population changes could have a number of potential implications for the area. These include a lack of local workforce making the area less attractive to some businesses, and low population figures making some local services potentially unsustainable.

Exhibit 2

Projected population changes in Inverclyde by age group until 2039

The numbers of children and people of working age living in Inverclyde are expected to fall over the next 20 years, causing an overall reduction in population.



Source: National Records of Scotland, Projected percentage change in population (2014-based), by age structure and Scottish area, selected years

The council has a clear vision that staff and community planning partners understand

10. Inverclyde Council’s corporate statement (2013-18) sets out a clear vision for Inverclyde: ‘A Nurturing Inverclyde: getting it right for every child, citizen and community’. This vision reflects a clear understanding of the needs and priorities of the area and is recognised by members of staff and partners. Staff noted that this vision of ‘A Nurturing Inverclyde’ enabled the council and its partners to talk in a common language about their ambitions and activity. The Community Planning Partnership (the Inverclyde Alliance) includes representatives from local businesses, housing associations, police and fire services, community councils, voluntary groups and further education.

The different sets of outcomes to deliver the vision are confusing

11. Using the Scottish Government’s ‘Getting it Right for Every Child’ framework as a starting point, the council has identified eight wellbeing outcomes for the citizens of Inverclyde. These wellbeing outcomes are the main focus for council activity. The council has also agreed eight local outcomes for the whole of Inverclyde with its community planning partners. These are included in the Single Outcome Agreement 2013-17 (SOA) that is agreed between the council, its partners and the Scottish Government. The council’s investment plans are also directed by a number of investment initiatives (Exhibit 3, page 12).





the percentage of Inverclyde Council employees who understand how their work contributes to the council's aims rose from 50 per cent in 2010 to 89 per cent in 2015

Source: Inverclyde Employee Surveys, 2012 and 2015

### Exhibit 3

#### Inverclyde Council's outcomes and priorities

Inverclyde Council has two sets of outcomes to deliver its vision, which is confusing.

Vision: 'Nurturing Inverclyde': getting it right for every child, citizen and community	
Overarching priorities	
 <p><b>Council's and Alliance's wellbeing outcomes:</b></p> <ul style="list-style-type: none"> <li>• Safe</li> <li>• Healthy</li> <li>• Achieving</li> <li>• Nurtured</li> <li>• Active</li> <li>• Respected</li> <li>• Responsible</li> <li>• Included</li> </ul>	<p><b>Alliance's Single Outcome Agreement outcomes:</b></p> <ul style="list-style-type: none"> <li>• Promoting population</li> <li>• Successful communities</li> <li>• Economic regeneration and employability</li> <li>• Health equality and promotion</li> <li>• Tackling alcohol misuse</li> <li>• Best start in life</li> <li>• Protecting our environment</li> <li>• Delivering excellent services</li> </ul>
Supporting documents	
 <ul style="list-style-type: none"> <li>• Corporate directorate improvement plans x2</li> <li>• Health and social care partnership strategic plan</li> <li>• Service statements</li> </ul>	<ul style="list-style-type: none"> <li>• SOA outcome delivery plans x7</li> <li>• Inverclyde Alliance Improvement Plan</li> </ul>
Supporting strategies	
 <ul style="list-style-type: none"> <li>• Financial strategy</li> <li>• Asset management strategy</li> <li>• Local transport strategy</li> <li>• Inverclyde Economic Development and Regeneration Single Operating Plan (with Riverside Inverclyde)</li> <li>• Tourism strategy</li> <li>• Local development plan</li> <li>• Roads asset management plan</li> <li>• Schools estate management plan</li> </ul>	
Strategic investment initiatives	
 <ul style="list-style-type: none"> <li>• City Deal</li> <li>• Roads</li> <li>• School estate</li> </ul>	

Source: Audit Scotland and Inverclyde Council

**12.** The different sets of outcomes are all supported by a number of corporate and partnership plans and strategies. There are similarities between the different sets of outcomes and they all contribute to the central vision. But the picture is confusing and the council needs to be clearer on how the activity included within individual plans contributes to other outcomes. We note that the council and its partners intend to develop a single set of outcomes in the new Local Outcome Improvement Plan (that will replace the SOA), to be delivered in October 2017.

### **Leadership is effective and there is good collaborative working**

**13.** The strategic leadership of the council has improved in recent years. A new corporate management structure has helped improve the level of strategic leadership provided by senior managers. The council changed to three directorates in April 2012. In April 2014, the council continued this streamlining process with further mergers within directorates. The council's corporate management team (CMT) meets on a weekly basis. The CMT comprises the chief executive, three corporate directors, the chief financial officer (s95 officer), the head of legal and property services and the head of organisational development, human resources and communications. An extended corporate management team meets on a monthly basis including all other heads of service.

**14.** There is effective working at CMT level. Positive relationships exist in the team and this has endured through recent changes at director and chief executive level.

**15.** The council's revised directorate structure has also helped increase corporate working. There is consistency between directorates, both in terms of business processes, such as service planning and staff appraisal, and in terms of a shared vision. Councillors told us they find it easier to focus on broad strategic issues, rather than having to focus solely on single services.

**16.** We met a number of middle managers and found them to be very positive about the changes taking place within the council. There was general agreement that the council's vision was clear, providing a common language across the council which feeds into partner organisations' priorities. There was a firm belief that the council has improved since the 2005 Best Value report.

### **Officers and councillors work together constructively**

**17.** The council has been run by either a minority or coalition administration over the last ten years ([Appendix 1, page 42](#)). Councillors demonstrate they work together to make strategic decisions that provide the best possible services for local people. Discussion at committees focuses on the main issues, and councillors are able to make effective decisions on committee business. Over the last three years only three per cent of agenda items at council and committee meetings have required a vote to make a decision.

**18.** Working relationships between officers and councillors are respectful and constructive. Relevant officers attend committee meetings to answer councillors' questions. Officers regularly ask councillors about the level of detail and the presentation of information they would like to receive in agenda papers. Where particularly complex information is being provided to councillors, briefing sessions are held to allow councillors to consider information in more depth to inform scrutiny at committee. From our observations of the strategic committees, scrutiny arrangements and the quality of councillors' scrutiny appear effective.

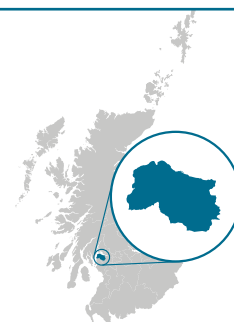
**19.** For the last two years councillors have operated a cross-party forum (Members Budget Working Group) to discuss and agree budget priorities and actions. We note that in November 2016 the Scottish National Party (SNP) Group withdrew from this forum. Previous Best Value audits have highlighted the benefits of cross-party forums and councillors should consider continuing with this post-election especially given the financial challenges that exist.

**20.** All councillors have a personal development plan and officer contact to discuss continuing development needs and access to mentoring, coaching and similar support. The council has a training and induction programme prepared for new councillors. Compulsory training events have been set up for councillors, following the local government election in May 2017, on a number of topics including roles and responsibilities, corporate governance and committees, council finance and budgeting, and media/communications.

**21.** The council has also been working closely with the Improvement Service to produce guidelines and guidance for new councillors in their first few weeks in office, and on their roles and responsibilities.

# Part 2

## How well is the council performing?



Overall, performance has improved in recent years but the council needs to demonstrate more clearly the link between planned activity and outcomes

The council engages in a lot of good improvement activity, and regularly monitors progress against planned actions. However, it needs to better assess how this activity is expected to improve outcomes.

Current outcomes are aspirational in nature and the council needs to set out more clearly what it is aiming to achieve against these outcomes in the short, medium, and long term.

Performance has improved over the last five years, with the council maintaining performance in its highest performing areas as well as improving others. There are good examples of the council using performance information to target investment at poorly performing areas.

### The council needs to demonstrate more clearly the difference it expects to make to outcomes




**22.** We set out in [Exhibit 3 \(page 12\)](#), the main plans and strategies that the council uses to deliver its vision. The council identifies actions to implement the strategies and plans and regularly monitors these. Reports identify progress to councillors ([Exhibit 4, page 16](#)). Each action either links to a wellbeing outcome, SOA outcome or investment initiative, but the council needs to further develop its assessment of how this activity is expected to improve the outcome, and to what extent. Wellbeing outcomes appear to be aspirational targets. The council should identify what the pace of improvement will be over time and develop interim milestones and progress measures. For example this might identify what improved outcomes might look like five and ten years ahead. This would make it easier to assess progress against the plan.

**23.** The council has started to try out evaluation tools such as 'driver diagrams' and 'logic models' in some policy areas with partners. These tools help to link inputs, activities and outputs to the outcomes they are designed to help services achieve. We encourage this approach and the use of these tools across a wider range of services and policy areas.

## Exhibit 4

### How the council monitors progress

The council regularly monitors progress against actions in strategies and plans and reports this to councillors.

Overarching priorities	
 <b>Council's and Alliance's wellbeing outcomes</b>	<b>Alliance's Single Outcome Agreement outcomes</b>
Supporting documents	
 <ul style="list-style-type: none"> <li>• Corporate directorate improvement plans (CDIPs) x2</li> <li>• Health and social care partnership strategic plan</li> <li>• Service statements</li> </ul>	<ul style="list-style-type: none"> <li>• SOA outcome delivery plans x7</li> <li>• Inverclyde Alliance Improvement Plan</li> </ul>
Monitoring progress	
<ul style="list-style-type: none"> <li>• Progress on actions in CDIPs reported to every second meeting of appropriate committee</li> <li>• Yearly roll-up progress reports to Policy and Resources Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly progress reports on actions in outcome delivery plans to the Inverclyde Alliance Board</li> <li>• SOA annual report (last one 2014/15)</li> </ul>
Supporting strategies	
 <ul style="list-style-type: none"> <li>• Financial strategy</li> <li>• Asset management strategy</li> <li>• Local transport strategy</li> <li>• Inverclyde Economic Development and Regeneration Single Operating Plan (with Riverside Inverclyde)</li> <li>• Tourism strategy</li> <li>• Local development plan</li> <li>• Roads asset management plan (RAMP)</li> <li>• Schools estate management plan (SEMP)</li> </ul>	
Monitoring progress	
<ul style="list-style-type: none"> <li>• Progress reports on the financial strategy are presented to the council every six months</li> <li>• Capital programme update to each meeting of the Education and Communities Committee (for schools – SEMP) and of the Environment and Regeneration Committee (for roads – RAMP)</li> </ul>	

Source: Audit Scotland and Inverclyde Council

**24.** We also noted that key corporate initiatives such as City Deal projects and shared service developments, services the council shares with neighbouring councils, are not explicitly included within the main corporate planning documents, or linked directly to outcomes. These projects are included in supporting strategies and plans that link to corporate planning documents, eg Inverclyde Economic Development and Regeneration Single Operating and Development Plans.

## Overall performance has improved in recent years

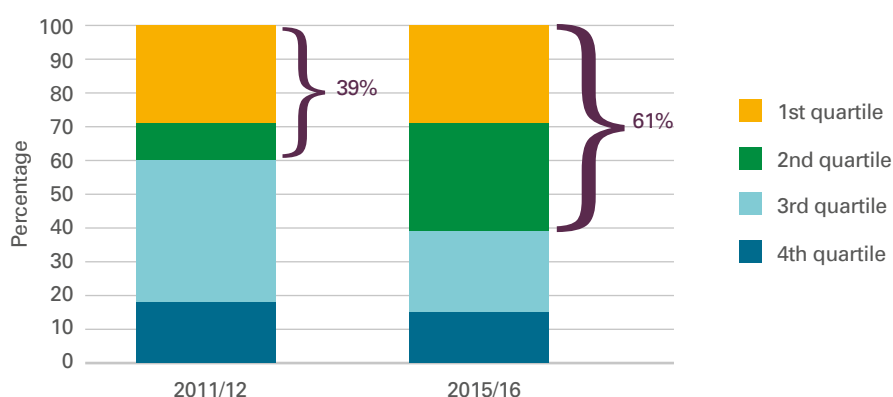
**25.** The council monitors progress against improvement actions and uses statutory performance indicators and indicators in the Local Government Benchmarking Framework to monitor performance.<sup>2</sup> It assesses its performance against these indicators annually, and reports to the Policy and Resources Committee.

**26.** Overall, Inverclyde Council's performance is getting better ([Exhibit 5](#)). In 2015/16, the performance of 68 per cent of its indicators was in the top two quartiles. A number of indicators changed between 2011/12 and 2015/16. Over this period, the percentage of comparable performance indicators in the top two quartiles improved from 39 per cent to 61 per cent. The council has maintained its performance in the top quartile. The improvement comes from increases in performance in indicators that were in the third and fourth quartiles, moving to the second quartile.

### Exhibit 5

#### Comparing Inverclyde Council's performance over time

The percentage of Inverclyde Council's comparable performance indicators in the top two quartiles improved from 39 per cent to 61 per cent between 2011/12 and 2015/16.



Note: Measuring council performance involves considering the range of 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. 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.

Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

**27.** The Accounts Commission's recent report, *Local government in Scotland: Performances and Challenges 2017* [\(download\)](#), found that councils' performance in the last five years has been maintained or improved, based on measures that give an indication of council performance in key service areas for the public. Inverclyde Council's performance improved in six of these indicators and declined in two ([Exhibit 6, page 18](#)).

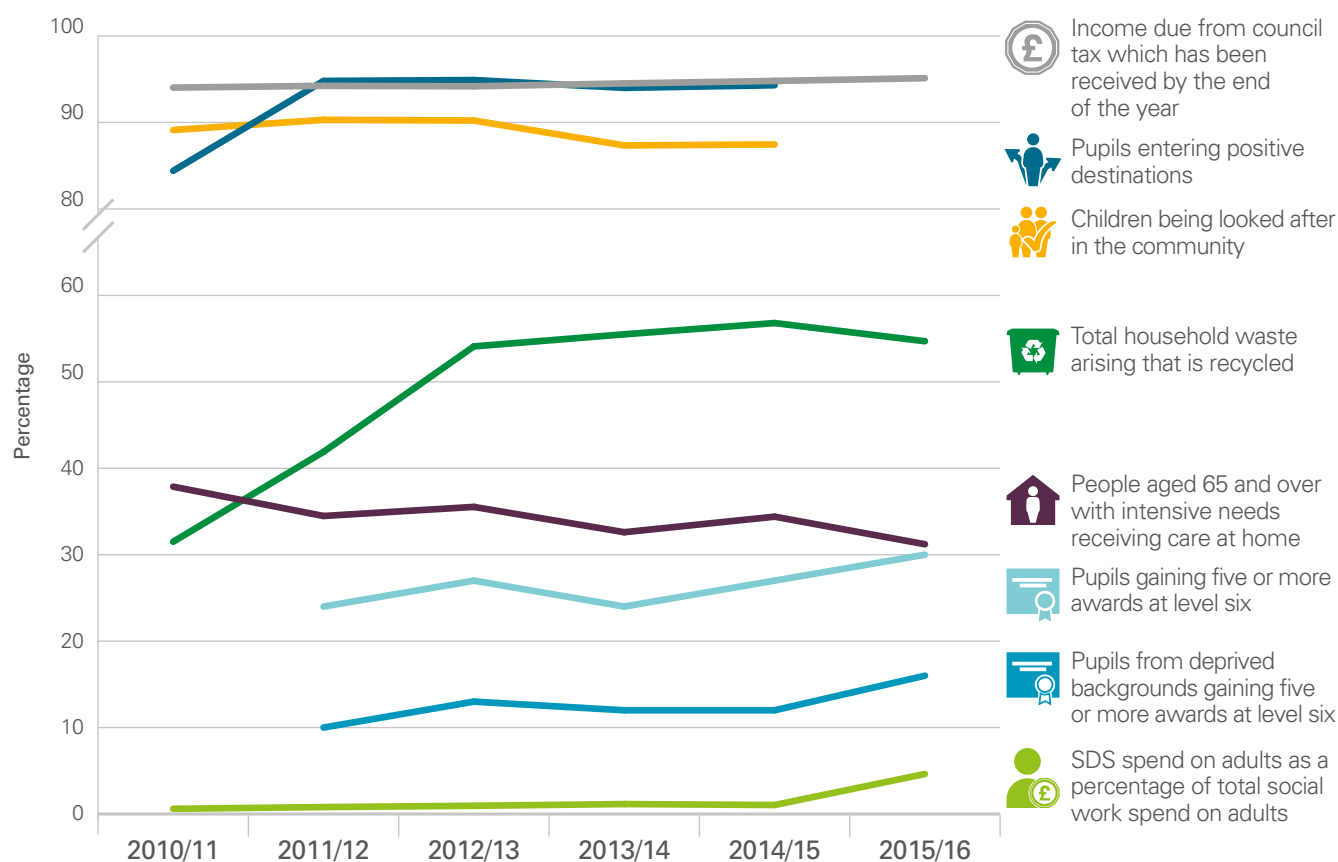
- The percentage of household waste recycled in Inverclyde increased by over 20 percentage points between 2010/11 and 2015/16. Although the level of recycling reduced between 2014/15 and 2015/16, in 2015/16 it was still the fifth highest in Scotland.

- In adult social care, the percentage of older people with intensive needs receiving care at home decreased between 2010/11 and 2015/16 by over six percentage points. Over this same period, performance in Scotland improved by 2.5 percentage points. However, satisfaction levels with adult social care remain much higher in Inverclyde (66 per cent) than the Scottish average (51 per cent).
- Across Scotland, since 2011/12, there has been an improving trend in attainment in the senior phase of schools that has been replicated in Inverclyde. In 2015/16, the attainment level of pupils in Inverclyde from deprived areas gaining five or more awards at level six, equivalent to five Highers, was above the Scottish average.
- The proportion of Inverclyde's pupils entering a positive destination after leaving school, such as higher education or employment, improved substantially between 2010/11 and 2011/12 and has been maintained above the Scottish average since then.<sup>3</sup>

## Exhibit 6

### Inverclyde Council's performance against selected indicators, 2010/11 to 2015/16

Inverclyde Council's performance has improved in the majority of these indicators over the last five years.



Source: Audit Scotland; and *Local Government Benchmarking Framework*, Improvement Service, 2015/16

## The council uses performance information effectively and reporting to the public and councillors is regular and balanced

**28.** The council reports on performance to committees and takes action on areas as a result of this, for example roads investment ([Case study 1](#)). Overall, reports on performance and actions are regular and reporting is balanced. Councillors commented that the quality of performance reporting had significantly improved in the last ten years with reports now having the right level of detail required for them to scrutinise effectively. From observations of the strategic committees, councillors asked relevant, strategic questions and officials gave appropriate responses.

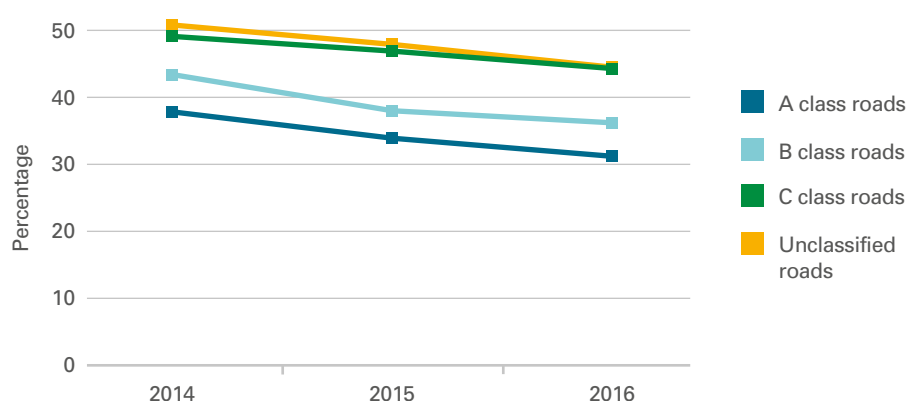
### Case study 1

#### The council used performance information to decide to invest in roads infrastructure



The council made good use of performance information to identify roads as an under-performing area and developed a five-year investment strategy (2013/14 to 2017/18) to address this. By 2015/16, the council had spent £12.3 million and 30 per cent of the road network had been resurfaced or treated (Note 1). The improvement in road condition as a result of the increased investment over this period is illustrated below (Note 2). Despite there being a time delay for changes in road condition to be reflected in performance information, an improvement in road condition is already evident (Note 3).

#### The percentage of all classifications of road in Inverclyde requiring maintenance decreased between 2014 and 2016




#### Notes:

1. RAMP update and future plans, Paper to Inverclyde Council Environment and Regeneration Committee, 12 January 2017.
2. For presentation purposes we have used the end-year for comparison purposes (eg, 2014 relates to 2013/14 for spending per kilometre, 2012/14 for percentage of A, B and C roads requiring maintenance and 2010/14 for unclassified roads).
3. Owing to the way councils calculate road condition using a two-year rolling average of Scottish Road Maintenance Condition Survey results (four years for unclassified roads), there is likely to be a time lag between decisions to increase/decrease maintenance spending and how this affects reported road condition.

Source: Audit Scotland; and Local Government Benchmarking Framework

Inverclyde Council was named the UK's most-improved performer for roads, highways and winter maintenance as part of the 2015 Association for Public Service Excellence (APSE) Performance Networks Awards

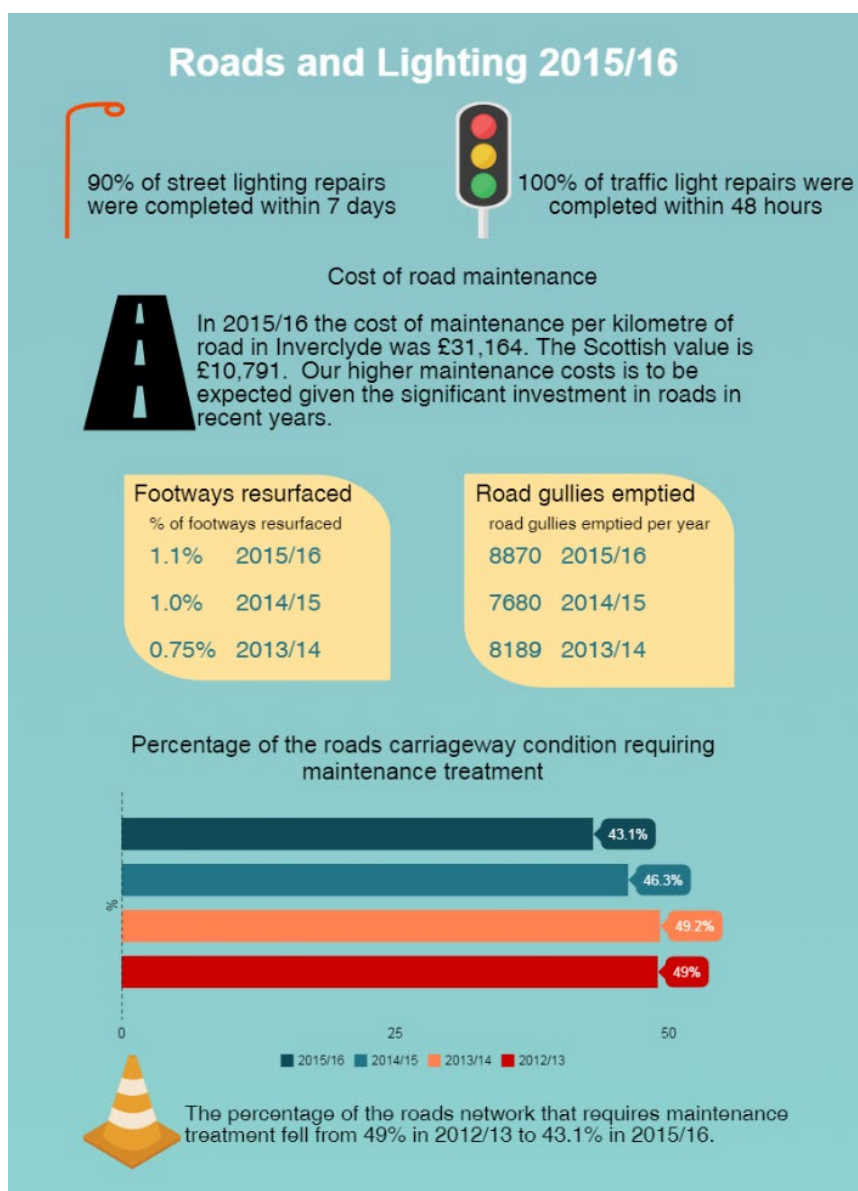
**29.** Inverclyde Performs is an internal web-based system that enables officers and councillors to monitor performance across directorates for a range of measures over a period of time. The system allows users to view performance against targets and highlights where these are not being achieved.

**30.** Information on how Inverclyde Council is performing is publicly available on the [performance page of its website](#) . Information is gathered from statutory performance indicators, local government benchmarking framework indicators and other sources and is presented in corporate and service-level summaries. The site provides access to useful one-page graphic snapshots ([Exhibit 7](#)).

## Exhibit 7

### Inverclyde Council performance snapshot – roads and lighting

This is an example of the one-page performance snapshots that Inverclyde Council compiles for each service. It sets out the key performance indicators in an easy-to-understand format.



## **In general, recent inspections by Education Scotland and the Care Inspectorate have been positive.**

**31.** There has been no significant inspection activity of Inverclyde Council's education and social work services as a whole in recent years but inspections of individual services, such as schools or care homes, have been conducted by Education Scotland and the Care Inspectorate.

**32.** Since August 2014 two early years establishments, three primary schools and one secondary school in Inverclyde have been inspected by Education Scotland. The inspection reports for these have all been positive with no follow-up inspection activity required. In May 2016, an additional support needs school was evaluated as weak for curriculum and self-evaluation and required follow-up inspection activity. In March 2017, Inverclyde Council reported that a new senior management team for the school was in place and was being supported by council officers. It will report on progress again in September 2017.

**33.** The Care Inspectorate has reported that regulated care services in Inverclyde are generally performing well and to a good standard. Eighty per cent of Inverclyde Council's adult services are graded as 'very good' or 'excellent', compared with 41 per cent nationally. Assessments of Inverclyde's residential children's services have been positive.

## **Feedback from citizens shows improving levels of satisfaction**

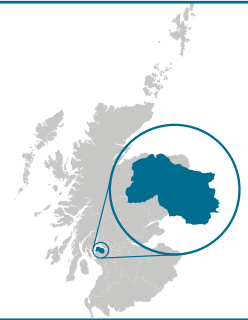
**34.** The council uses community feedback from Inverclyde Citizens' Panel to understand community views on specific service areas and overall council performance. This includes views on whether the community thinks outcomes are being achieved over time.

**35.** The 2015/16 Inverclyde Citizens' Panel report shows an improvement in perceptions of anti-social behaviour levels and overall satisfaction levels with council services. There has also been an increase in the proportion of residents who felt council services were good value for money. There has, however, been a slight decrease in levels of satisfaction with their neighbourhood as a place to live.

**36.** The report also sets out Inverclyde Citizens' Panel's views on how well the council responds to communities through engagement. Forty-eight per cent of panel respondents in 2014 were satisfied with the way the council took residents' views into account when making decisions that affected the area. This compares to 34 per cent in 2012. The percentage of residents satisfied they could influence decisions affecting the local community was 47 per cent in 2014 and is to be reviewed again in 2017.

# Part 3

## Is the council using its resources effectively?



### Officers have identified that the new council will need to fundamentally review the services the council delivers as part of its 2018-20 budget

In the last two years, the council has achieved in-year surpluses which exceeded its plan. This is mainly attributed to savings in centrally held budgets as well as directorate savings.

The council is financially resilient and has significant reserves for its size compared to other councils. These reserves have doubled over six years and should be reviewed. Reserves are now being used to meet short and medium-term budget pressures.

The council has still to agree expected savings of £22.5 million over the period 2017-20 and officers have developed detailed savings options to enable this. Councillors will need to take difficult decisions based on these options after the May 2017 local government election.

The council has a good workforce strategy and forecasts potential job reductions over the medium term. The council recognises that it needs to develop better workforce planning.

### The council has effective financial management and a good process in place for financial planning

**37.** The council has well-established processes for setting and monitoring budgets, and uses a range of media for consulting with the public. Budget consultation is now a matter of routine and involves community meetings, feedback through the council's website and the use of an online simulator. The council's approach to budget management is to focus on pressure areas to help reduce future savings requirements.

**38.** In March 2016, the council approved a 2016/17 revenue budget and provisionally approved the 2017/18 revenue budget. To balance the 2017/18 budget the council agreed to use £0.8 million of revenue reserves.

**39.** The council has underspent in the last two years against its revenue budget ([Exhibit 8, page 23](#)). The main reasons for these underspends are lower than expected inflation (compared to assumptions in the budget) and accelerated savings in services including short-term vacancy management. Current projections are the council will underspend its 2016/17 budget by £1.6 million (0.85 per cent of net revenue budget) against a budgeted break-even position.

**40.** There is recent evidence that budget assumptions are becoming tighter with initial estimates for 2016/17 non-pay inflationary pressures of £1.3 million revised to £0.5 million.

## Exhibit 8

### Underspend and variance to planned underspend

The council has underspent in the last two years against its revenue budget.



Year	Total under/ (over) spend (£m)	Underspend % of net expenditure	Planned under/ (over) spend £m	Variance to plan (£m)
2012/13	5.4	2.4%	4.0	1.4 Favourable
2013/14	(2.1)	(1.2)%	4.3	(6.4) Adverse
2014/15	3.6	1.8%	1.8	1.8 Favourable
2015/16	4.4	2.3%	2.6	1.8 Favourable

Source: Audited financial statements

## The council has a high level of usable reserves

**41.** The level of usable reserves as a percentage of net revenue streams has increased over four years from 23 per cent in 2011/12 to 30 per cent in 2015/16 ([Exhibit 9, page 24](#)). The largest increases were prior to this period. In 2011/12, the usable reserves increased by £11.1 million and in 2010/11 by £6.9 million. In 2009/10, usable reserves represented less than 15 per cent of net revenue streams. In each of the last five years the council has had the second or third highest level of usable reserves, relative to its size, when compared to other Scottish councils (excluding Orkney and Shetland).

**42.** The relatively high level of reserves compared to annual budget has enabled the council to deliver medium to long-term strategies, fund one-off costs and smooth its core revenue budget requirement. The council's reserves policy was updated in September 2016 and includes governance arrangements for the creation and management of reserves.

**43.** £9.7 million of usable reserves are held in statutory reserves (capital fund has £2.3 million, insurance fund has £3.8 million, repairs and renewals has £3.2 million) with £49.1 million in the general fund reserve. Most of the general fund is 'earmarked'. This element of usable reserves increased slightly in 2015/16 to £40.3 million. There are a number of significant earmarked reserves which the council has maintained over many years and these are not always clearly distinguished as capital or revenue in nature. These include miscellaneous reserves for individual committees totalling £5.5 million and individual capital reserves totalling £14.8 million. A number of other reserves have remained constant or increased since 2010. We have recommended that a detailed review of earmarked reserves should be undertaken with the new council as part of the 2018-20 revenue budget development.

**44.** The council's reserves policy requires a minimum unallocated general fund reserve of two per cent of turnover. Based on the 2016/17 budget this should be £3.8 million. Unallocated general fund reserves at 31 March 2016 exceeded this strategy minimum at £8.8 million (4.6 per cent). The projected balance at 31 March 2017 is £4.1 million which is £0.3 million greater than the minimum recommended balance.

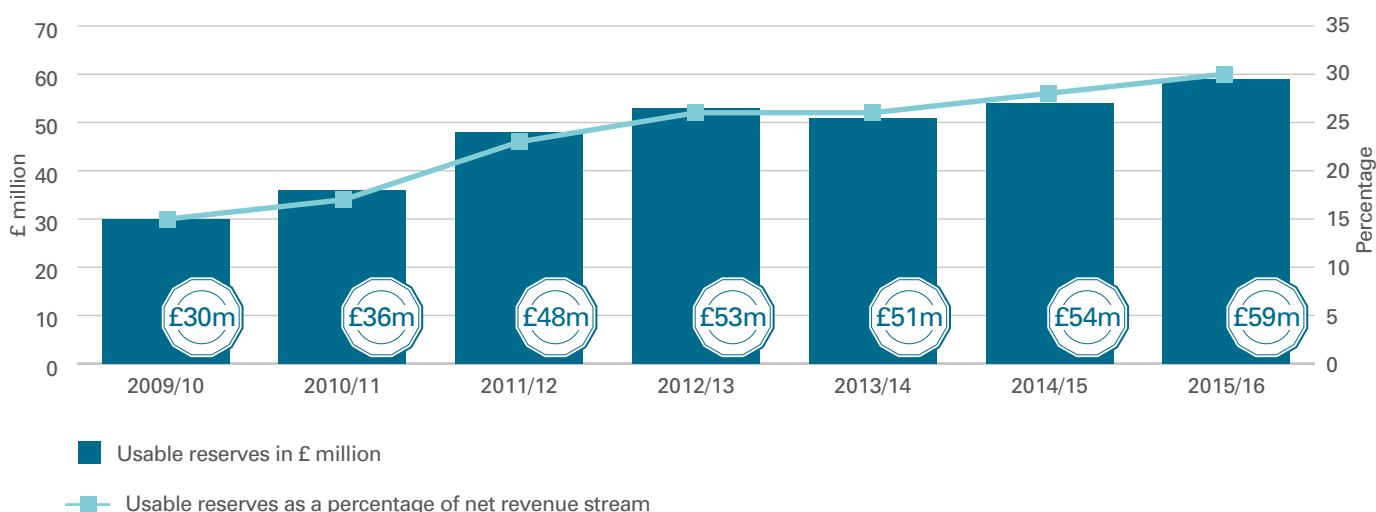
**45.** In September 2016, the Policy and Resources Committee agreed that any remaining funding gap in 2017/18 would be met from reserves. The council agreed to use revenue reserves of £1.1 million to balance the 2017/18 budget and to set aside a further £3.5 million to fund approximately 33 per cent of the 2018/19 funding gap (totalling £10.6 million).

**46.** In his report to the council's budget meeting in February 2017, the chief financial officer highlighted the importance of councillors understanding the proposed use of reserves to meet funding gaps is a short-term, one-off measure. He reported it is justifiable on the basis of the level of reserves currently held by the council and there will be a fundamental review of council services, eligibility criteria and charging policies over the next twelve months.

## Exhibit 9

### Usable reserves as a percentage of net revenue

The level of usable reserves has increased significantly since 2009/10.



Source: Audited financial statements

## The council has a high level of borrowing

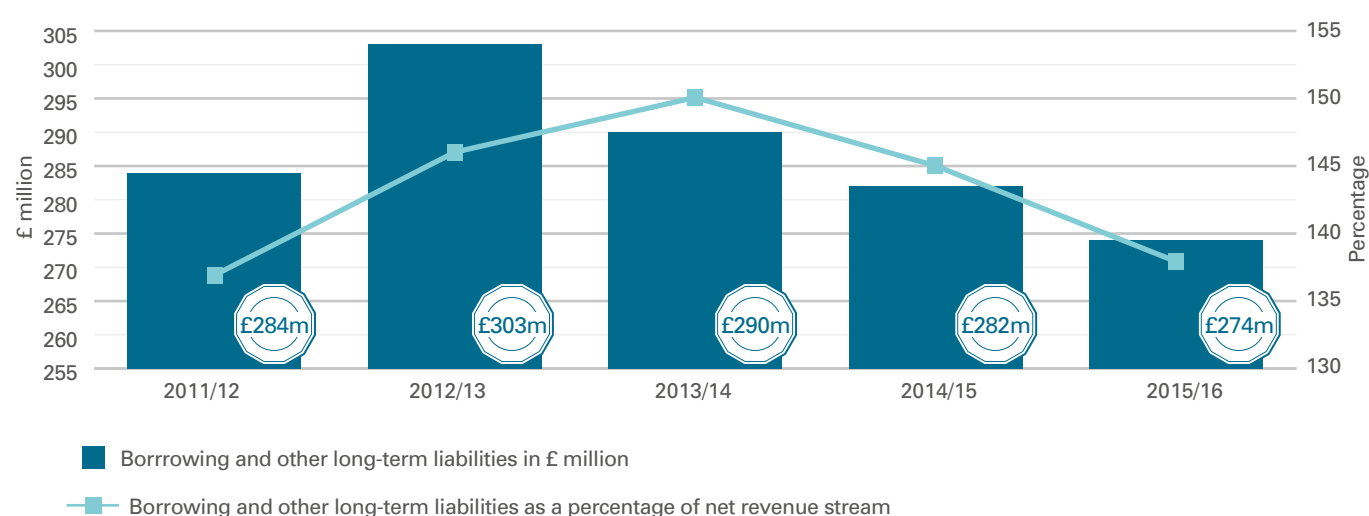
**47.** At 31 March 2016 the council's total borrowing was £274 million, including long-term liabilities relating to the schools Public Private Partnership (PPP) finance lease of £66 million. The council's borrowing (excluding PPP) consists of loans from the Public Works Loan Board (PWLb) (52 per cent) and market loans (48 per cent). All PWLB loans and 69 per cent of market loans are at fixed rates of borrowing. During 2015/16 the council operated within the prudential indicators for the year set out in its Treasury Policy Statement.

**48. Exhibit 10** shows the level of borrowing and external debt for the last five years. In 2012/13, borrowing increased as a result of funding the building and refurbishment of educational properties as part of its school estates strategy. In the three years 2013/14 to 2015/16, the council's debt has reduced due to repayment of maturing debt without undertaking new borrowing. The council continues to have relatively high levels of borrowing and external debt compared to other councils. Its ratio of long-term borrowing and debt as a percentage of net revenue stream is fourth highest of all councils.

## Exhibit 10

### Borrowing and long-term liabilities as a percentage of net revenue

In 2015/16 the council's long-term liabilities represented 138 per cent of annual net revenue.



Source: Audited financial statements

**49.** In 2015/16, overall capital spending was £30.5 million. The largest element (£8.3 million) related to building and refurbishing schools. Funding of capital expenditure included £4.4 million from revenue, £0.5 million from receipts and £16.1 million from government grants. The balance of £9.5 million was met through internal funding.

**50.** The Accounts Commission's [Local government in Scotland: financial overview 2015/16](#)  report highlighted a key treasury management decision for councils will be when to borrow rather than use their cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase and whether any forecast change in interest rates makes external borrowing more attractive.

**51.** In the recently approved 2017-20 capital programme, the council approved no new prudential borrowing on the basis that further increases to the cost of council debt servicing would place unnecessary strain on the council's future budget. The council will continue to use internal funding, supplemented by already approved limited long-term borrowing commitments.


## The council has developed detailed savings plans

**52.** The council has a good process in place for financial planning, which includes scenario planning. Through this process, officers have identified that the council needs to save £22.5 million over the period 2017-20 ([Exhibit 11](#)). This is a mid-range estimate. Optimistic and pessimistic scenarios are £13 million and £37 million respectively.

### Exhibit 11

#### Inverclyde Council's budget gap, 2017-20

The mid-range estimate for Inverclyde Council's budget gap is made up of a number of different items.

	2017/18 £ million	2018/19 £ million	2019/20 £ million	Cumulative £ million
Estimated Block Grant reduction	1.8	3.7	2.9	8.4
Continuing cash cut due to depopulation	1.0	1.0	1.0	3.0
Inflation – pay	1.2	1.8	2.4	5.4
Inflation – non pay	1.0	1.5	2.0	4.5
Pressures <sup>1</sup>	1.6	2.0	1.4	5.0
Savings identified to date	(3.8)	-	-	(3.8)
<b>TOTAL</b>	<b>2.8<sup>2</sup></b>	<b>10.0</b>	<b>9.7</b>	<b>22.5</b>

#### Notes:

1. Includes pressures relating to auto-enrolment, asset management plans, general pressures and apprenticeship levy.
2. Revised to £1.1 million in 2017/18 Budget Setting Report following approval of Local Government Funding Settlement for 2017/18 in February 2017. The report also highlights that the overall level of funding gap of £22.5 million is still viewed as being realistic on the basis that it is estimated that the Scottish Block will reduce in real terms over the next two financial years.


Source: Inverclyde Council Financial Strategy 2016-24 (December 2016)

**53.** Officers have developed detailed savings proposals for consideration by the new council. These proposals provide options totalling approximately £20 million over the same period and are based on service reduction, service withdrawal and income generation.

**54.** At its budget meeting in February 2017, the council agreed the projected 2017/18 deficit of £1.1 million would be funded from reserves and decided to impose no increase in council tax for 2017/18. In his report to the council's budget meeting the chief financial officer included a 'realistic' scenario based on a reduction in real terms in the Scottish Block and the continued protection of education and social care budgets. In the accompanying narrative, the chief financial officer has said the impact on unprotected budgets is severe and supports the requirement that the new council will need to have a fundamental review of the services the council delivers as part of the 2018-20 budget.

**55.** The annual returns submitted to the Scottish Government detail the council has delivered £15.5 million of recurring efficiency savings over the eight-year period 2008-16. In addition, the council has reinvested a further £4.6 million of savings generated by the School Estates Management Plan in new and upgraded schools.

### **The council has good workforce planning, and is starting to develop longer-term forecasts**

**56.** The Accounts Commission's *Local government in Scotland: performance and challenges 2017*  report highlighted the need to plan and manage reductions to council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively. The report advises councils to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.

**57.** The council estimates that to address the estimated funding gap of £22.5 million it will need to reduce staff by a further 175-300 full-time equivalents (FTEs) over the next two years. The council has already reduced the number of FTEs by 507 over the last seven years, but will need to accelerate the pace of staff reduction to meet this target.

**58.** The council has an overarching workforce strategy and is developing succession planning. The strategy sets out key workforce planning actions for 2017 to help the council manage the workforce implications required to deal with the projected funding gap. Longer-term forecasts do, however, need to be developed, and the council would benefit from having more detailed workforce plans to support the workforce and financial strategies.

### **Sickness absence rates have improved**

**59.** In 2015/16, the average number of days lost through sickness absence was 5.5 days for teachers and 9.5 days for other council employees. This had improved over the previous year when the teachers' rate was 6.4 days and other council employees was 11.1 days. It also compares favourably to the Scottish average of 6.1 days for teachers and 10.6 days for other employees.

### **Staff survey results have improved and development training is established, leading to positive changes**

**60.** The council undertakes employee surveys every three years. The latest survey, conducted in 2015 with a response rate of 26 per cent, showed improvement from 2012 in 84 per cent of areas surveyed.

**61.** There have been significant efforts to engage with the council's workforce as a whole. More than 100 employees have completed a Senior Management Leadership Development training course with the University of the West of Scotland (UWS). Managers have told us there is an increasing emphasis on making the council less hierarchical, reducing the decision-making layers and delegating operational decisions to front-line managers.

**62.** Over 60 senior managers and head teachers attended a leadership development event during 2015. This focused on improving employee performance and engagement in challenging times. A similar event is to be arranged during 2017 which will focus on addressing the key leadership challenges which lie ahead for the council.

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**Inverclyde  
Council  
achieved  
Bloomberg's  
Best  
Government  
Services  
Employer in the  
UK award for  
2016**

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## Investing in and rationalising assets has been a strategic priority

**63.** The council has invested significantly and improved its schools and roads infrastructure in recent years. The council has invested over £250 million on its school estate over the last 11 years.

**64.** The council has had a Schools Estate Management Plan (SEMP) for a number of years. The first edition was published in 2004 when the majority of the council's primary and secondary schools were rated as being in poor condition and dated mainly from the 1960s and 1970s. Over the period of the programme there has been a net reduction of 12 primary schools (from 32 to 20) and a net reduction of two secondary schools (from eight to six) with two of the remaining six secondary schools co-located within a shared campus.

**65.** A range of approaches was used to gather stakeholders' views on the configuration and structure of new and refurbished schools and issues arising as a result of proposed changes. This involved consultation on the design of individual projects and formal consultation on changes to school provision.

**66.** One of the prime objectives of the SEMP is to have all schools as category A (good) or B (satisfactory) for condition. In 2007, Scottish Government statistics show that 77 per cent of primary schools and 88 per cent of secondary schools in Inverclyde were rated in condition C (poor). The statistics also show that 75 per cent of additional support needs schools were in condition C or condition D (very poor). These statistics have improved significantly, with the whole of Inverclyde's school estate across primary, secondary and additional support need sectors currently in category A or B.

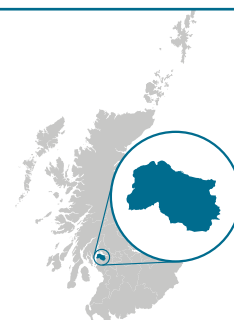
**67.** The 2015/16 Local Government Benchmarking Framework data shows that Inverclyde Council has the fourth highest level of adults satisfied with local schools. This is up from 11th in the 2014/15 report, and 20th in the 2013/14 report.

**68. Case study 1 (page 19)** highlighted the investment in the council's roads after relatively poor performance was highlighted. The council began implementing its Roads Asset Management Plan (RAMP) in April 2013. By the end of 2015/16 it had spent £12.3 million on carriageways and £1.3 million on footways and bridges.

**69.** The council's financial strategy ensures strategic initiatives that require long-term revenue and capital commitments such as the Asset Management Strategy, the SEMP and the RAMP are properly incorporated into the financial planning process.

# Part 4

## Is the council working well with its partners?



### There is good evidence the council is working well with its main partners and the community and recognises the challenges this involves

Close working at a leadership and an operational level with NHS Greater Glasgow and Clyde meant the council was well prepared for the introduction of the new integration joint board (IJB).

The council is an active partner in the Glasgow City Region City Deal and recognises the need to overcome challenging issues with private sector partners to progress these major infrastructure initiatives.

There are good examples of working with, and involving, communities. This provides a good base for the council to go further and fully implement the provisions of the Community Empowerment Act.

The council has a robust risk-based governance process in place for monitoring arm's-length external organisations (ALEOs).

### The council works closely with its partners to deliver local outcomes

**70.** The council is part of Inverclyde Alliance, Inverclyde's community planning partnership, and contributes to the delivery of the Single Outcome Agreement.<sup>4</sup> The Leader of the council chairs the Inverclyde Alliance Board. There is a delivery group and targets for each outcome and different partners take the lead across the outcomes.

**71.** We have reviewed outcomes data for Inverclyde and outcomes are generally improving, as they are across Scotland:

- The crime rate in Inverclyde decreased by 44 per cent between 2004/05 and 2014/15, in line with the reduction across Scotland that was also 44 per cent.
- Early mortality decreased by 13.5 per cent in Inverclyde between 2004/05 and 2014/15, similar to the 14.5 per cent decrease across Scotland.

- In Inverclyde, the number of babies at a healthy birth weight increased by 3.4 percentage points between 2004/05 and 2014/15. This is higher than the increase for Scotland overall of 0.9 percentage points. Despite this improvement, over the three years to 2014/15, 2.5 per cent of babies in Inverclyde had a low birth weight, higher than the Scotland average of 1.9 per cent.

**72.** The area continues to face significant challenges in improving some outcomes relating to its history of economic deprivation and poor health:

- The percentage of the working age population (aged 16-64) in receipt of out of work benefits, a proxy indicator for poverty and an indicator of economic wellbeing of the community, increased by 0.3 per cent in Inverclyde between 2004/05 and 2014/15. This compares with Scotland overall, which showed a decrease of 2.1 per cent, highlighting important issues in Inverclyde centred on poverty and deprivation.
- The median weekly earnings in Inverclyde for people living within the area who are employed increased by 18.1 per cent between 2004/05 and 2014/15. While this is positive, it is less than the 28 per cent increase for Scotland overall.
- Fragility, a measure of population resilience taking into account decreasing population and the proportion of elderly people, increased by 4.8 per cent in Inverclyde between 2004/05 and 2014/15. This is significantly higher than the one per cent increase in Scotland overall, demonstrating the challenges Inverclyde faces posed by depopulation combined with a growing elderly population.
- In Inverclyde, emergency admissions for people aged over 65 increased by 27 per cent between 2004/05 and 2014/15. This is significantly higher than the increase for Scotland overall of seven per cent, showing the challenges Inverclyde faces in caring for a growing elderly population.

### **The council and its partners have developed a good base to formally integrate health and social care**

**73.** Inverclyde Integration Joint Board (IJB) has been in place for over a year and will play a key role in implementing NHS Scotland's 2020 Vision and the council's strategic priorities. *Improving Lives: A Strategic Plan 2016-19*, was approved in March 2016 and sets out the intentions and priorities of the IJB over the three-year period.

**74.** Inverclyde has had a strong Community Health and Care Partnership (CHCP) since 2010 when it was established as an enhanced partnership arrangement between the council and NHS Greater Glasgow and Clyde Health Board. The CHCP partnership arrangement included reporting to both the council and the health board, joint planning, allocated aligned budgets and integrated staff and practice development. Our local scrutiny plans have previously commented on the strong base for integration provided by the CHCP and the 2016/17 plan highlighted that this had allowed benefits to be realised on the transition to an IJB. This included the continuation of many joint operational activities that had previously been introduced.<sup>5</sup>

**75.** The IJB is well placed to meet the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. The external auditor's strategic audit plan for the IJB includes a review of operational efficiency between 2018/19 and 2020/21.

### **The council recognises that it needs to overcome challenging issues to progress the City Deal projects**

**76.** City Deals provide city regions with the opportunity to deliver infrastructure, innovation and employment projects to improve their economic performance. The UK and Scottish governments both provide funding with councils contributing additional funding. Inverclyde Council became part of the £1.13 billion Glasgow City Region City Deal, with seven other councils, in 2014. The council is the smallest involved in the Deal, but has an equal partner role, and plays an active role in the governance structure. It is represented on all the sub-groups and takes the lead on the economy and tourism sub-group.

**77.** Three City Deal infrastructure projects are being developed in Inverclyde, with funding of £27 million. These are progressing at a slower rate than originally anticipated owing to the complex nature of the projects that also involve private sector partners. Two infrastructure projects are being progressed initially: Inverkip, opening up a former power station site for housing, and Ocean Terminal, creating a dedicated quay for cruise ships. The third project, a renewables site at Inchgreen, is not planned to begin on site until 2020/21. Work on the Inverkip project was originally due to start in September 2016 with work on the Ocean Terminal project to begin in autumn 2017.

**78.** The council has attributed the delays to it not owning the land on which the two projects are being developed. The land is owned by two different multinational companies. This has led to complexities around state aid considerations needing to be investigated, proposed design changes requiring reappraisal and lengthy approval processes for progressing the projects within the companies.<sup>6</sup> The council continues to work to overcome these issues with its private sector partners in order to progress the City Deal projects.

**79.** Both the Inverkip and Ocean Terminal projects had strategic business cases approved by the Glasgow City Region City Deal Cabinet in October 2015. This approval allowed funding to be released for design and feasibility work. The strategic business case for the two Inverclyde projects contains an options appraisal. Each contains a 'do nothing' or 'do minimum' option with three other options. These were assessed using a SWOT analysis (strengths, weaknesses, opportunities, threats). The options are to be tested in detail at the next stage of the process, the 'outline business case' stage, when firmer plans on which option is recommended to be taken forward are presented. At that stage, the Glasgow City Region City Deal Cabinet requires a full business case be developed for each project so it can decide whether to finally approve the project. If approved, funding is released for the construction works. We will continue to monitor progress against the City Deal projects over the next few years as part of the Best Value approach.

## **There are good examples of how the council has involved the community in planning its services**

**80.** The Inverclyde Alliance Community Engagement Strategy 2008-18 forms the basis for how the Alliance partners work with and involve local communities and third-sector organisations, such as local voluntary groups. It provides a clear indication of the importance the council and partners give to involving communities. The Community Engagement Network plans and coordinates Alliance partners' community engagement activity and includes representation from the third sector.

**81.** Methods used to engage with communities range from the traditional to innovative, encouraging participation from a wide spectrum of the community. Examples include a mixture of local public meetings, focused workshops on town centres (charrettes), web-based consultations, Inverclyde Citizens' Panel responses, connecting with parent and pupil councils and advisory groups and community outreach work.

**82.** There is clear evidence of community engagement findings feeding into strategies and helping partners form priorities. For example the Health and Wellbeing survey results clearly feed into the Inverclyde Carer and Young Carer Strategy while the Youth Council has informed the recent Youth Participation Strategy.

**83.** Building the capacity and capabilities of communities is a priority for the council and its partners. The council's Community Learning and Development (CLD) team work with partner organisations to provide the help and advice they need to achieve their aims. Dedicated community workers help those groups develop how to manage short and longer-term projects. They also provide broader, strategic support by advising on issues. In 2015, the CLD team reported that 77 per cent of the community organisations they worked with increased their capacity.

**84.** At a corporate level, an easy-access webpage (Your Council, Your Say) hosts a wide variety of public consultations on services and policies. It provides feedback to show what the council has done in response. Corporate-wide service review guidance includes a detailed section on engaging with the community and suggests different ways to do so.

**85.** The Inverclyde Citizens' Panel comprises 1,000 members of the public selected to reflect the demographic composition of the area as a whole. It acts as a review function by asking respondents about their experiences of particular services and proposals for change. Respondents are provided with feedback on how the responses have led to changes.

**86.** Targeted approaches aim to encourage involvement by traditionally difficult-to-reach communities, including young people and communities in the most disadvantaged areas ([Case study 2, page 33](#)).

## Case study 2

### Community engagement in action: Health and wellbeing survey of Inverclyde's young people



In 2013, Inverclyde Council and partner organisations surveyed the health and wellbeing of all local secondary school pupils, achieving a return rate of 83 per cent. The survey was developed with school pupils, their parents and school staff allowing important issues to be identified and explored.

The questionnaire was designed to be completed within the classroom as part of personal and social education. It covered a range of topics including teen sexual health, young carer issues and experiences of cyber-bullying. One of the findings uncovered the potential for a much higher number of young carers in the community than previous evidence suggested. This reflected a lack of awareness about what being a carer actually involved.

The findings of the young people's health and wellbeing survey were followed up in two Inverclyde's Young People conferences (#Clyde Conversations) in 2015 and 2016, that were designed and led by young people. The information provided a detailed area-wide profile allowing the council and community partners to agree and modify council priorities to help secondary school pupils in the area.

Following the success of the survey, more funding from partners has been identified for further actions. The council is sharing the methodology and survey with other councils.

Source: Inverclyde Council

**87.** The council has solid foundations for implementing the Community Empowerment Act. This aims to empower communities through the ownership of land and buildings and to strengthen their voices in the decisions that matter to them. The council has so far been involved in three projects to transfer assets to community groups. It is interested in developing participatory budgeting, that is giving voluntary groups the decision-making powers over part of a budget. It has organised information sessions with managers and councillors to support this process.

**88.** The council has demonstrated a commitment to community empowerment, but will need to develop some of these activities within available resources to make this happen. We will continue to look at how the council implements the Act over the next four years.

### There are robust monitoring arrangements for arm's-length external organisations (ALEOs)

**89.** The council has well-developed arrangements in place for its governance of ALEOs. The council has a controlling interest in two ALEOs (Inverclyde Leisure Limited and Riverside Inverclyde Limited), and monitors the performance of a

number of bodies that receive significant financial support from public funds. A governance framework was agreed in 2011 and introduced a risk-based approach for monitoring these organisations. This developed over a number of years, and takes account of relevant guidance including the Accounts Commission's ['ALEOs: are you getting it right?'](#)  report.

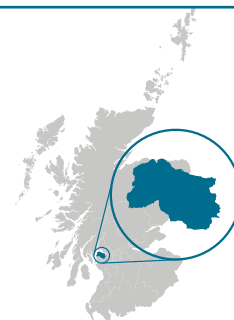
**90.** As part of this framework, a scoring matrix is used in which ALEOs receive points based on factors including:

- the amount paid by the council
- the proportion of turnover funded by the council
- the nature of the payment
- council representation at ALEO meetings.

**91.** The level of oversight required is determined by the number of points assessed using the scoring matrix. ALEO reports are presented in line with the governance framework to the relevant service committee throughout the year. These reports provide updates and assurances in terms of performance and governance, while an annual report is presented to the policy and resources committee.

# Part 5

## Is the council demonstrating continuous improvement?



### Since the last Best Value audits, the council has kept up the pace of change and has developed a positive improvement culture

The council has a good history of exploring and developing different models to deliver services. It aims to ensure services continue to deliver effectively in the future as well as create financial savings. It is currently in the early phase of progressing shared services with two other councils.

The digital strategy is a key part of its initiative to deliver services differently. The council has positive examples of the impact of digital on ways of delivering services.

The council makes good use of self-evaluation and service reviews to improve how services are delivered.

### There has been a significant culture change at the council since the last Best Value audits

**92.** Inverclyde Council's Best Value audit timeline is set out in [Appendix 1](#). The council has significantly improved the way it manages services since its first Best Value audit in 2005. [Exhibit 12 \(page 36\)](#) highlights some of the main improvements.

### The council has used self-evaluation and service review consistently but this process could be better communicated to councillors

**93.** Inverclyde Council has used self-evaluation consistently with clear links to improvement plans. Services use the Public Service Improvement Framework (PSIF), but can also use other frameworks. For example, the library service has used the 'How Good is Our Public Library Service' framework to benchmark against other library services. In 2015, an Education Scotland review of the council's Educational Psychology Services found its approach to self-evaluation to be rigorous.

**94.** Improvement actions are presented to the service's senior management team for review and are developed into an improvement plan. These are managed at head of service level, but any main themes may be put into an improvement action within the relevant CDIP.

## Exhibit 12

### Comparing selected Best Value judgements, 2005 and 2017

The difference in Controller of Audit judgements between 2005 and 2017 shows the extent of progress made by Inverclyde Council.

Controller of Audit judgement 2005	Controller of Audit judgement 2017
<ul style="list-style-type: none"> <li>There has been a serious lack of effective leadership and direction in Inverclyde for some time and this is a critical barrier to the council moving forward and improving its performance.</li> </ul>	<ul style="list-style-type: none"> <li>Shared ownership of a clear vision and effective leadership helps the council to deal with the challenges facing the area.</li> </ul>
<ul style="list-style-type: none"> <li>The council has not developed a continuous improvement culture.</li> </ul>	<ul style="list-style-type: none"> <li>The council has developed a continuing culture of improvement. There is evidence of a supportive culture that encourages innovation and new ideas.</li> </ul>
<ul style="list-style-type: none"> <li>The council does not make full use of the opportunity to learn from other councils. It is somewhat insular, tending to focus on internal issues rather than picking up good practice elsewhere.</li> </ul>	<ul style="list-style-type: none"> <li>Officers see looking at what others are doing as a key part of improvement activity. They are keen to talk to other councils and tap into national resources and IT developments where possible.</li> </ul>
<ul style="list-style-type: none"> <li>A poor working relationship between key councillors and senior officers in Inverclyde is hindering the improvements required in performance.</li> </ul>	<ul style="list-style-type: none"> <li>There are constructive relationships between officers and councillors.</li> </ul>
<ul style="list-style-type: none"> <li>The council recognises that public performance reporting varies between services, is not systematic or comprehensive across the council as a whole, and needs to improve.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting to the public and councillors is regular and balanced for all services.</li> </ul>

Source: Audit Scotland; and *Inverclyde Council: The Audit of Best Value and Community Planning*, Accounts Commission, June 2005.

**95.** The council's service review guidance clearly sets out that all service review reports should be presented to councillors at the relevant service committee. This happens in most cases but we found exceptions to this. For example, in 2015, the CMT requested a review of business support staff in schools. A review was carried out and findings and recommendations from the review, including proposals for a major service redesign, were presented to the CMT in 2016. These have not yet been reported to the relevant service committee. Councillors should consistently receive appropriate information and progress reporting on service review on a timely basis.

**96.** The council's service review guidance clearly outlines each stage and the important areas to be considered, including:

- consulting with key stakeholders to understand customer expectations
- carrying out an options appraisal to decide which options should be progressed, taking risk into consideration
- presenting favoured options to a challenge panel for scrutiny
- preparing a report with a supporting action plan and presenting it to councillors.

## The council has a history of exploring and developing different ways that services are delivered

**97.** The council has a history of exploring and developing different models to deliver services. Its aim is to ensure the future resilience of services, so that these can continue to improve local outcomes, as well as create financial savings.

**98.** The council's housing stock was transferred to River Clyde Homes in 2007 and Riverside Inverclyde, an urban regeneration company, was created to take the lead on reversing commercial decline and creating job opportunities in Inverclyde.

**99.** Although the outcome has not always been successful, the council has explored shared services with other councils for corporate functions and ICT, and a shared roads service ([Case study 3, page 38](#)). The council uses the private sector to deliver a number of council functions including street lighting, roads infrastructure projects and recycling (Greenlight Environmental Ltd). It also uses the third sector to provide employability programmes (Inverclyde Community Development Trust).

**100.** There is evidence of a supportive culture that encourages innovation and new ideas. The council does not have a separate improvement programme run by a central team. A previous separate transformation programme with external consultants was not successful and the council has learned from this experience. The council believes that services should be responsible for improvement within their areas, rather than it being identified and led by a central team without detailed knowledge of how the services operate.

**101.** The 'Delivering Differently in Inverclyde' programme, Inverclyde Council's plan for changing and modernising its services to deliver better, more efficient services at a lower cost, includes the following:

- considering options for further shared services ([Case study 3, page 38](#))
- sourcing services externally
- considering the transfer of the library service to a leisure trust
- the potential to transfer local services to communities
- expanding the digitalisation of services ([paragraphs 104–105](#)).


**102.** However, it believes these activities will not be enough to close the funding gap and it will need to continue to focus on a programme of reducing, charging for or stopping services. Options on this are included in the savings options discussed at [paragraph 52](#).

**103.** It is important that, in the absence of a central programme, all these activities are prioritised, managed and monitored. The council has recognised this and is implementing change management groups for each of the three directorates to undertake this activity. These groups will report back to the CMT.

## Case study 3



### The council is actively exploring shared services across a number of services

The Accounts Commission has highlighted the benefits to service users, communities and public sector organisations of working well together. However, the Commission's recent report, [\*Local government in Scotland: Performances and challenges 2017\*](#) , identified limited evidence of councils collaborating or sharing services.

In June 2016, Inverclyde Council approved the establishment of the East Dunbartonshire, Inverclyde and West Dunbartonshire Councils' Shared Service Joint Committee. The committee became effective from 1 November 2016, and established a governance framework for the potential sharing of services. It will consider any business cases developed to pursue this objective in due course.

Establishing the joint committee demonstrates the council's ongoing commitment to pursuing different approaches to delivering services. The council's goal is to find the most effective and efficient way to deliver its priorities for the local community. We will monitor the progress of the joint committee in achieving these objectives.

Source: Audit Scotland

### The council has identified digital transformation as a key part of delivering differently

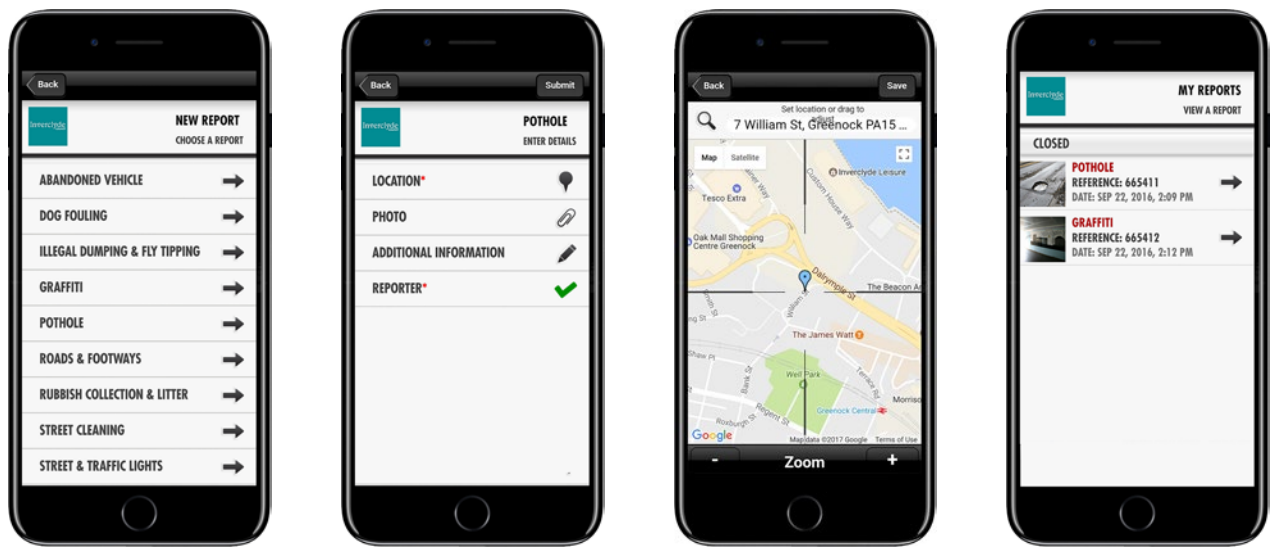
**104.** Digitalisation of services is a key part of delivering services differently. The council has good examples of the positive impact of digital initiatives on delivering services. These include more online services being available on Inverclyde Council's website, a schools online payment pilot and the launch of Citizens' Mobile, an application (app) that members of the public can use to report problems such as potholes to the council using their mobile phones ([Exhibit 13, page 39](#)).

**105.** The council is currently developing its Digital Access Strategy and has sought advice and facilitation from the Improvement Service.<sup>7</sup> As part of the strategy's development the Improvement Service held a number of workshops with managers from across the council. Managers are approaching digitalisation as a corporate strategy, rather than a solely IT strategy. This is a good approach, as transforming digital services requires leadership and it needs managers across the business to get involved and work together to revise service provision. As digital options play an increasing role in how councils deliver services, the council will need to ensure it has the appropriate skills and experience to deliver on its commitments.

Exhibit 13

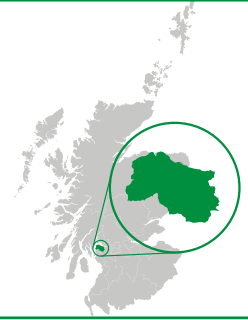
Inverclyde Council mobile application

Citizens can report problems directly to the council using an app.



Source: Inverclyde Council user application screen shots

# Recommendations



The council and its partners should use the Local Outcome Improvement Plan (which will replace the SOA) to develop a single set of outcomes which simplifies the strategic and planning framework. [\(paragraph 12\)](#)

Councillors should consider continuing with the Members Budget Working Group, given the financial challenges that exist and the key decisions that will need to be made following the May 2017 local government election. [\(paragraph 19\)](#)

Actions to deliver strategic improvements should identify the difference they are expected to make to the overall strategic outcomes, with milestones at key intervals. [\(paragraph 22\)](#)

Key corporate initiatives such as City Deal projects and shared services should be reflected in updated corporate planning documents. [\(paragraph 24\)](#)

A detailed review of earmarked reserves should be undertaken with the new council as part of the 2018-20 revenue budget development. [\(paragraph 43\)](#)

The council should develop more detailed workforce plans and longer-term forecasts of workforce numbers and skills required. [\(paragraph 58\)](#)

The council has experienced delays in its City Deal projects. Councillors and officers should continue to focus significant efforts on developing these projects with private sector partners. [\(paragraph 78\)](#)

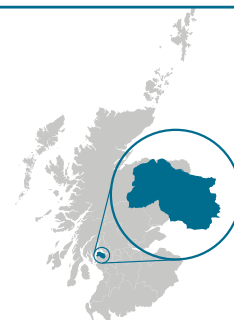
To progress community empowerment to the level that the Act requires, the council will need to further develop the capacity of communities it is working with. It will need to raise awareness of the possibilities for communities, and look at the level of funding and staffing required to work with communities to progress initiatives including the transfer of assets and participatory budgeting. [\(paragraph 88\)](#)


All service review reports should be presented to councillors at the relevant service committee, in accordance with the council's service review guidance. Councillors should also receive progress reports on service reviews. [\(paragraph 95\)](#)

The council should embed the recent introduction of directorate change management groups to prioritise, manage and monitor service improvement activity. [\(paragraph 103\)](#)

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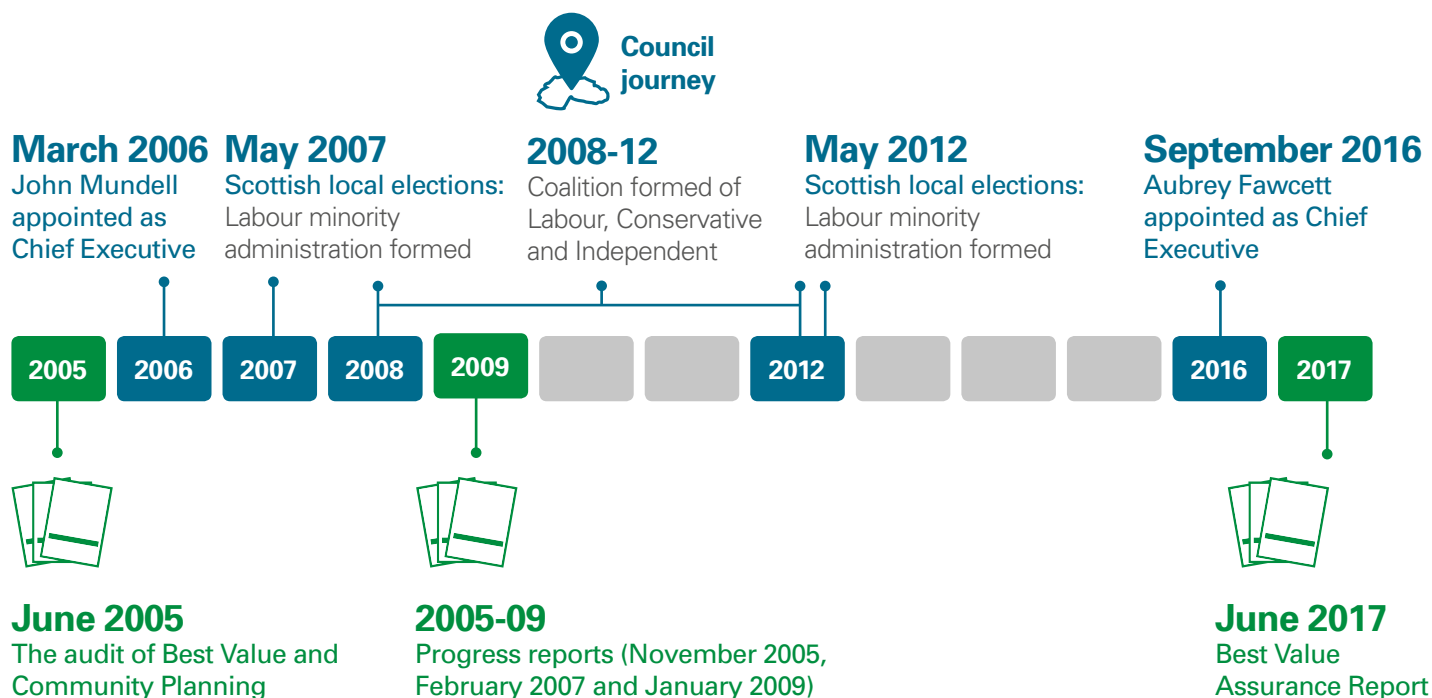
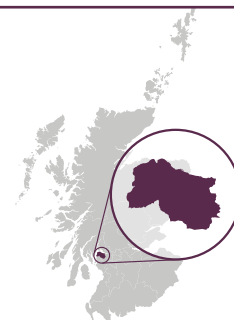
# Endnotes



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- ◀ 1 Population projections are calculated showing what happens if particular assumptions are made. They are trend-based and are not policy-based forecasts of what the government expects to happen. Historically, the rate of depopulation in Inverclyde has been over-estimated. For example, in 2000, a population decline of 13 per cent was predicted in Inverclyde up to 2015. Using NRS' mid-year estimates, the population decline over this period was actually six per cent.
  - ◀ 2 The Improvement Service, in partnership with councils, collates and reports on the Local Government Benchmarking Framework Indicators to provide information for councils to improve performance and costs.
  - ◀ 3 2015/16 data for percentage of pupils entering positive destinations was not available at the time of writing.
  - ◀ 4 Community planning is the process by which councils and other public bodies work with local communities, businesses and voluntary groups to plan and deliver better services and improve the lives of people who live in Scotland. Community planning is led by community planning partnerships (CPPs). There are 32 CPPs, covering each council area.
  - ◀ 5 [Inverclyde Council Local Scrutiny Plan 2016/17](#) 
  - ◀ 6 State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union.
  - ◀ 7 The Improvement Service is the national improvement organisation for local government in Scotland. It provides a range of products and advisory services including consultation and facilitation, learning and skills, performance management and improvement, and research.

# Appendix 1

## Best Value audit timeline



### June 2005 – The audit of Best Value and Community Planning:

The Commission's 2005 findings highlighted extensive and fundamental weaknesses in leadership and direction by both councillors and senior management, preventing the council from delivering Best Value. The council was urged to take urgent and major remedial action.

### 2005-09 – Progress reports (November 2005, February 2007 and January 2009):

The Commission requested a number of progress reports following the initial findings. The most recent of these was published in January 2009. The council made a number of significant changes in this time. This included setting a clear strategic direction in new community and corporate plans, improved medium to long-term planning and changes to its political management arrangements and management structures. The report concluded that the council had made significant progress in delivering its improvement agenda and that the foundations for Best Value had been laid for further improvement.

### June 2017 – Best Value Assurance Report:

The Controller of Audit presents this Best Value Assurance Report to the Accounts Commission in May 2017. It is expected that this report will be provided at least once during the five year audit appointment for each council. This is the first of its kind across Scotland. The report seeks to provide the Commission with assurance on the council's statutory duty to deliver Best Value, with a particular focus on the Commission's Strategic Audit Priorities.

# Best Value Assurance Report Inverclyde Council

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

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) 

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