

Inspection report

January 2005



Progress assessment report

North Devon District Council

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Introduction

1. In October 2003, a Comprehensive Performance Assessment was published by the Audit Commission about the council, which categorised it as weak. The key strengths and weaknesses relating to this assessment are reproduced in Appendix 2.
2. This report presents an analysis of the council's progress to date using key milestones in the recovery plan and comparison with the baseline position of the Comprehensive Performance Assessment.

Summary

3. The council has made good progress since the CPA inspection. Cross-party working has helped it provide clear and effective leadership and focus on the delivery of its vision, priorities and measures to improve services. It has reduced its priorities from eight to four and communicated them to stakeholders. It is moving resources to match priorities and has set savings targets for non-priority areas. However, the council does not have sufficiently clear medium-term ambitions to direct all its services and some statutory services do not identify with its priorities. The priorities do not wholly align with those of the community strategy. Duplication between area committees and community alliances diminishes the cost effectiveness of the council's engagement with and leadership of communities.
4. The council is actively addressing improvement. It has adopted a three-year improvement plan, *Stepping Up!* This comprises three integrated areas of activity - business planning; services; and projects to support improvement. An improvement board directs *Stepping Up!* The plan is project based and identifies measurable outcomes. However, the priority of the projects is unclear as is the scale of funding associated with them.
5. The council is taking effective action to ensure it has the capacity and skills to achieve change. It is building corporate capacity and improving strategic management by restructuring its staff. It is an active member of the Devon Improvement Group, which enables use of mutual capacity. It has improved the function of the Overview and Scrutiny Committee. The council has secured funds from the government to support its improvement process. However, it has yet to improve some aspects of financial management. For example, although the council has introduced new systems to improve financial monitoring, it has not yet clearly established whether it has the financial capacity to deliver its priorities. Also, it has not yet fully considered the costs associated with some of its strategies. For example, how it will fund improvements identified in the new housing strategy.

6. The council has made progress in putting building blocks in place that will enable improvement. It has carried out a housing stock condition survey, to support development of its housing strategy. It has also prepared key corporate strategies, such as the new medium-term financial strategy, which it adopted in February 2004. This strategy has started to identify financial resources to deliver the council's priorities, although the timing of the budget process has not yet allowed the council to match requirements against savings from low priority areas. The council recognises that it cannot do everything at once and is dealing with the most important issues first. Consequently, it has yet to effectively implement its procurement strategy.
7. Performance management remains weak. Performance information does not show how the council is progressing with its priorities. The council has not embedded risk management into its processes. However, it is developing a performance management system and has improved its business planning cycle.
8. The council has mixed performance in delivering services. The proportion of services performing above average has fallen over the last three years. In priority areas, its performance is about average but improvement is inconsistent. The council performs well for access to services but less well for tackling housing problems. However, residents' satisfaction with the council is well above average and improved slightly since 2001/02. The council's recent achievements include meeting two out of the three national targets for speed of planning.
9. The council is showing greater self-awareness. Councillors and staff are aware of the council's ability and its improvement needs. Councillors and staff have visited other councils to learn from good practice and the council is enhancing learning by analysing complaints and mystery shopping. However, the council does not have a systematic approach to sharing learning.

Recommendations

10. It is recommended that the council:

- ◆ actively and promptly shares the findings of this progress assessment with staff;
- ◆ takes it to an appropriate public committee meeting; and
- ◆ uses the key findings as the basis for revising the recovery plan in conjunction with any direction from the Improvement Board.

Context

The locality

11. There have been no significant changes to the locality that are relevant to interpreting the judgements in this report.

The council

12. Since the CPA inspection, the political composition of the council has changed slightly, although the Liberal Democrats remain the controlling administration. The council's membership now comprises 22 Liberal Democrats, 10 Conservatives and 11 independents. In May 2004, the council's executive councillors gave a commitment to cross party working to deliver the council's vision, priorities and the organisational change required to deliver its improvement plan, *Stepping Up!*
13. The council's planned base revenue expenditure budget over the next four years is £10.6 million annually. The council has agreed to keep council tax rises to below 5 per cent per annum. The council's current approved capital programme for the four-year period 2003/04 to 2006/07 is £8.753 million.
14. Since the CPA inspection, the council has developed an improvement plan called *Stepping Up!*, which it adopted in December 2003. *Stepping Up!* is a three-year improvement programme that comprises 19 projects in three integrated areas of activity:
 - ◆ business planning;
 - ◆ services, concentrating on weak and priority services; and
 - ◆ projects that support improvement.
15. The council has established an Improvement Board to manage the delivery of *Stepping Up!*, which is chaired by the chief executive and includes all executive councillors along with external representation from the Audit Commission.
16. The council has reviewed its overview and scrutiny arrangements since the CPA inspection. The Overview and Scrutiny committee now comprises 17 councillors. Three panels undertake the work of the committee and they focus on policy development; audit and risk; and the budget. The panels do not have a political balance.

What is the council trying to achieve?

17. The local strategic partnership (LSP), of which the council is a member, identifies the long-term ambitions for the area in its community strategy. The strategy sets a vision for the area and focuses on outcomes. However, specific and measurable targets do not support the ambitions.
18. The council clearly states its priorities in its corporate business plan. It has reduced its priorities from eight to four and used the results of a quality of life consultation in 2003 to identify them as access to services, housing, waste management and the local economy. Medium-term measurable targets support the priorities. They reflect national priorities. The council has clearly identified what are not its priorities, such as cultural services. It is aware that it needs to reinforce its priorities with robust consultation with all sections of the community.
19. The council communicates its priorities well. It uses a quarterly newspaper to keep the community informed and involved in its plans. Partners in the LSP understand the council's priorities. Councillors and staff understand the corporate business plan and the improvement plan, *Stepping Up!*
20. The council is moving resources from low priority services. It has consulted the public on budget options and adopted a medium-term financial strategy (MTFS) that sets savings targets for non-priority areas. The portfolio holder for culture is responsible for the re-allocation of resources to high priority areas by the end of 2007/08. The council is already making savings in its cultural services. For example, it has recognised that the owners of private beaches are responsible for providing lifeguards, saving £120,000 per year. It is reducing grants to arts organisations and helping them to find alternative sources of funding. The council has commissioned a three-year programme of value for money reviews that will complement the planned savings.
21. The council provides clear leadership of its change programme. The programme aims to meet the needs of local people. Four executive councillors each have responsibility for delivering one of the council's corporate priorities and another four lead cross cutting themes. The leader personally champions *Stepping Up!* Staff recognise the clearer leadership that councillors give. However, unclear community structures caused by duplication between area committees and community alliances diminish the cost effectiveness of the council's engagement with and its leadership of communities. The council has also failed to demonstrate effective leadership in managing its waste service.
22. The council demonstrates a stronger focus on tackling key issues. Cross party working is helping councillors avoid distractions and concentrate on delivering priority services. Managers find that clearer priorities have reduced distractions into non-priority areas. The Overview and Scrutiny Committee reviews and scrutinises the council's policies to ensure they contribute towards common goals. The council is piloting a project prioritisation and appraisal process to ensure that new projects align with its priorities.

23. The council does not have sufficiently clear medium-term ambitions to direct all its services. It has concentrated on developing its priorities but failed to recognise that some statutory services, such as environmental health and benefits, do not identify with those priorities. This does not help staff in these services to understand their role in achieving the council's wider ambitions. The council has set no clear basis on which to improve and allocate resources to those services.
24. The council's priorities do not wholly align with those of the community strategy. The council is aware of this and with the LSP, is to undertake a visioning exercise over the next 12 months to define a single vision for North Devon that will shape all strategies. Without robust high-level ambitions of its own, which align with the community strategy, the council cannot be sure that it is focusing on the right priorities.

How has the council set about delivering its priorities?

25. The council's recent actions have developed new capacity and skills to achieve change. Its new MTFS forecasts spending and budget pressures over the next three years and assesses the likely level of resources available to the council. It sets clear savings targets across non-priority areas but does not match these against the requirements of the priorities. The council has developed a human resources (HR) strategy, to guide recruitment, training and management of staff.
26. The council remains strong at using partnership working to extend its capacity. It is an active member of the Devon Improvement Group, which has attracted £1.13 million of government funding to enable joint working. The council is reviewing the viability of its strategic partnerships. It is working with adjacent councils and local agencies to establish new ways of jointly delivering its economic development objectives. The council is supporting a joint North Devon and Torridge LSP as one way of achieving this.
27. The council has provided additional staff resources and refocused others. It realigned the responsibilities of two new policy officers to assist implementation of its improvement plan. It appointed additional staff in the environmental health and housing departments to help improve food safety and the housing service.
28. Councillors have clear roles. Executive councillors are now committed to cross party working which is a significant improvement since CPA 2003. Councillors lead service improvement teams. The council has improved the operation of its Overview and Scrutiny Committee. It supported the development of the committee with workshops and training for councillors. The committee has formed three panels, policy, audit and finance that undertake detailed studies on a cross party basis. The new committee structure is having an impact on the way the council undertakes its business. It provides challenge to the executive, has a programme for scrutinising existing and new policies and is involved in the business planning process by cross-examining business plans. However, the council has been slow to review its corporate governance framework and address weaknesses identified by the appointed auditor.
29. The re-allocation of resources against priorities is unclear. The council is budgeting to achieve a revenue surplus to fund the delivery of its priorities. However, it is not yet clear whether it has the financial capacity to deliver its priorities, as it has not fully costed them and identified how it will allocate savings from low priority areas. Therefore, the size of the revenue surplus will determine the speed of improvement. For example, the council will not finalise the financial resources required to deliver its housing strategy, adopted in December 2004, until the budget is set in February 2005. Estimates of the investment needed have not driven the setting of savings targets and the council cannot be sure it will be able to implement the improvements it is planning.

30. The council is strengthening corporate planning. It has improved its business planning cycle, which links strategic, service and resource planning. All corporate priorities have measurable outcomes. The council has introduced new financial systems and processes that support improved financial monitoring and it is developing a basic performance management system. This will provide councillors with six-monthly reports on progress against key corporate performance indicators and improve the quality and timeliness of quarterly performance reporting to the council's executive and management team.
31. Effective performance management is not yet fully in place. The council does not have a performance management culture among councillors and staff. Some councillors do not understand the information that staff provide. The number of performance indicators reported to councillors is excessive and the format of reporting is poor with little clarity of performance against priorities and what action the council is taking. The clarity of communication of progress against improvement projects to councillors is similarly weak. This weakness also applies to financial reporting to the executive. While the executive receives quarterly reports on progress against savings targets, these reports do not include action plans to address the overall variance against the budget position. Instead, the Director of Finance verbally explains the proposed actions to achieve savings targets. Systems for collecting performance information are inadequate. The council's auditor qualified eight performance indicators in its 2003/04 best value performance plan. Without effective performance management, the council will not deliver its ambitions.
32. The council has been slow at embedding risk management. It has not introduced its risk strategy and corporate risk register into day-to-day operations. Its internal auditors have run risk workshops for managers on themes, such as finance, but few services have developed risk registers. The council is introducing risk management into its committee reports but councillors have not received training.

What has the council achieved/not achieved to date?

33. On balance, against national performance indicators, the council's performance has worsened when compared to other councils. In 2001/02, 64 per cent of key Best Value Performance Indicators (BVPIs) were above average compared to other councils. This included 26 per cent among the best performing 25 per cent of councils nationally. Figures for 2003/04 show that only 56 per cent of indicators are above average with 17 per cent among best performing councils. In 2003/04, 17 per cent of the council's BVPIs were in the worst 25 per cent of councils, compared to 7 per cent in 2001/02. Figures for 2003/04 show that only 43 per cent of indicators improved compared to 2002/03. Noticeable deteriorations include the speed of processing benefits and increasing crime.
34. In its priority service areas, the council's performance compared to other councils is average but improvement is inconsistent. The 2003/04 BVPIs show the council performs above average for access to services; average for waste management and local economy; and below average for tackling housing problems. Since the CPA inspection in 2003, access to services and services related to the local economy, such as planning, have generally improved, while the housing and waste management services have generally deteriorated. A recent inspection of the council's waste service graded it as a 'fair' service that is 'uncertain' to improve. The inspection found that improvements were on a small scale and insufficient to meet the service's targets, and the council's record of increasing value for money is poor. The council failed to achieve its government set recycling targets in 2003/04.
35. Residents' satisfaction with the council is above average overall and indications are that it has improved slightly since 2000/01. Satisfaction indicators for 2003/04 show that out of 17 indicators, 13 are above average, including seven among the best performing 25 per cent of councils and only two are among the worst performing councils. Satisfaction increased in ten of the indicators, although a number of the increases were small.
36. The council has achieved some important targets. In 2003/04, it achieved two out of the three government targets for speed of deciding planning applications. It also achieved the government's target of not using B&B accommodation for homeless people, in April of 2004.

37. The council has made significant progress in putting building blocks in place to enable further improvement. Its improvement plan, *Stepping Up!*, aims to improve identified weaknesses. The projects relate to specific areas of corporate planning and service provision, such as improved access to services, are risk assessed and focused on the council's priorities and where it needs to improve. It includes developing improvement plans for priority services. The council has adopted key strategies relating to finance, HR and housing. A new financial system supports its MTFs and it is investing in a computerised performance management system. The council has developed a capital expenditure strategy to improve forward planning and analysis of revenue expenditure implications. The council has worked closely with the Government Office for the South West to develop its housing strategy. It has refurbished its advice centre, undertaken a housing stock condition survey and has an up-to-date needs survey. However, the council has yet to make use of its procurement strategy to evaluate alternative methods of service delivery. The above investments provide the potential to bring improved services to users.
38. The council is securing external resources for investment. It has obtained funds from the government to support its improvement process. The government has also awarded high levels of planning delivery grant to the council. However, although the MTFs identifies savings to fund improvement, it does not have costed investment plans. Putting the right resources in place will assist the council to improve.
39. The council is building corporate capacity. It is restructuring its staff to increase capacity, enable greater flexibility and improve strategic management. A management and leadership programme will support the new structure. The council is integrating its direct labour unit into this process but is looking at other means of provision, such as outsourcing and joint service provision, in line with the principles set out in its procurement strategy. This is important, because of management deficiencies with this part of the organisation causing inefficient and ineffective service provision have remained unresolved since the CPA inspection in 2003.

In the light of what the council has learned to date, what does it plan to do next?

40. The council is showing good self-awareness. Its recent self-assessment identifies where it has improved and where it still needs to improve, for example, in developing sustainable community structures. It is analysing customer complaints and using mystery shopping expeditions to highlight areas for improvement. The council learnt a lot from the CPA process. It used the CPA report to develop the improvement projects in its improvement plan, *Stepping Up!*
41. Council staff are realistic about their council's ability and what it needs to improve. They recognise the improvements it has made and accurately identify that improvements are necessary in areas such as customer focus, communication, project and performance management and resourcing priorities. Self-awareness of its staff will help the council address further improvements.
42. The council learns from other organisations. It uses external organisations to help it improve, such as in developing a performance management culture and access to services. Councillors and staff have visited other councils to learn from good practice. The council's auditors are undertaking value for money reviews that include benchmarking to identify best practice in the public sector. Participation in the Devon Improvement Programme helps the council learn from others.
43. Sharing of learning across the council remains weak. The council does not have a systematic approach to sharing learning. The main sharing mechanisms are through staff appraisals and corporate initiatives such as policy briefings and training on new legislation. However, the corporate management team considers, and where appropriate supports, ideas from the staff suggestion scheme. Directors have departmental meetings with business unit managers. Lack of systematic learning will slow the speed of improvement throughout the council.
44. The council's improvement plan, *Stepping Up!* has many positive attributes. It is project based with each project identifying measurable outcomes and key time based activities. The plan is well organised, councillor/staff teams manage the projects and an improvement board oversees progress. However, some aspects of the plan are weak. The council has not prioritised the projects, nor has it fully identified the resources required to undertake them and implement their outcomes. This could result in the council not implementing key projects. Some councillors find the presentation of information confusing.
45. The council has improved some of its statutory plans. At the time of the CPA inspection in 2003, the Government Office for the South West (GOSW) considered the council's asset management plan, capital strategy and housing strategy to be poor. GOSW has recently judged these plans to be 'satisfactory', 'good', and 'fit-for-purpose' respectively.
46. The council is improving its engagement with partners and communities in future planning. It is increasing consultation on its strategies and policies. A team of councillors and officers is reviewing the role of area committees and local alliances to develop a future engagement strategy. The council hopes to increase community engagement by developing a joint community strategy with Torridge District Council. Improved engagement will help identify community needs.

Appendix 1 – Progress monitoring against the findings of the Comprehensive Performance Assessment

47. The original comprehensive performance assessment was carried out under the Local Government Act 1999 and published in 2003/04.
48. Under section 3 of the Local Government Act 1999 ('the Act'), best value authorities have a duty to make arrangements to secure continuous improvement in the exercise of their functions, having regard to the principles of economy, efficiency and effectiveness. By virtue of sections 10 and 13 of the Act the Audit Commission may carry out inspection activity to ensure that a best value authority is complying with this duty, and may issue a report as to its findings. This progress monitoring activity and reporting to assess improvement falls within sections 3, 10 and 13.
49. The main elements of this progress monitoring report were collation and analysis of evidence from:
 - ◆ self-assessments of progress made, completed by the council;
 - ◆ appointed auditor evidence from performance and financial audit activity;
 - ◆ audited performance indicators, inspection reports and plan assessments;
 - ◆ reviews of key corporate documents including performance reports, committee papers and management reports; and
 - ◆ observations, interviews and focus groups with managers, staff, customers and partner organisations.
50. This progress monitoring report for North Devon District Council was collated by the Audit Commission and reflects evidence gathered during November 2004.
51. This report has been discussed with the council, which has been given the opportunity to examine the Audit Commission's assessment. This report will be used as the basis for reporting progress to the council's improvement board and updating and improving its improvement plan.

Appendix 2 – Summary of theme scores and strengths/weaknesses as reported in the council’s initial Comprehensive Performance Assessment in October 2003

Theme	Grade	Strengths	Weaknesses
Ambition	2	<ul style="list-style-type: none"> Active and ambitious for its district. Effective local community leadership and partnerships. Intelligence on local community issues and in some service areas. 	<ul style="list-style-type: none"> Strategic objectives are broad and non-specific. Cannot demonstrate that strategic objectives are robust. Detailed service targets obscure corporate priorities. Weak intelligence/leadership in housing.
Focus	1	<ul style="list-style-type: none"> National and local priorities recognised. Some good consultation in local communities and in particular themes. 	<ul style="list-style-type: none"> Objectives too broad to aid prioritisation. Priorities not informed by service improvement needs. No consultation to validate prioritisation. Weak links between resources and priorities.
Prioritisation	2	<ul style="list-style-type: none"> Long-term focus on some key issues. Sustained focus on some service delivery problems. 	<ul style="list-style-type: none"> Weak mechanisms to sustain focus. Too many initiatives. Lack of focus on basic services.
Capacity	1	<ul style="list-style-type: none"> Enthusiastic staff. Financial resources from sale of housing stock. Generally positive officer/councillor working relationship. Strong partnership working and support for voluntary sector. 	<ul style="list-style-type: none"> Strategic control. Financial planning/budgetary control. Corporate governance arrangements. Capacity not linked to key objectives. Small service units – silo working. Middle managers overstretched – resistant to management development. Recruitment and retention – some areas. Workforce planning.
Performance management	2	<ul style="list-style-type: none"> Performance monitoring system in place and some outcomes from performance management. Customer charters. Links to individual objectives. 	<ul style="list-style-type: none"> Performance management inconsistent and not strategic. Weak project appraisal. Risk management not yet embedded. Weak evaluation of value for money.

Theme	Grade	Strengths	Weaknesses
Achievement in quality of service	3	<ul style="list-style-type: none"> • Above average PIs. • Meets most local targets. • Leisure, recycling, public space, regeneration, community safety, benefits, environmental health. • Achievement in priority areas. 	<ul style="list-style-type: none"> • Housing enabling – targets not met. • Refuse collection service poor. • 2001 customer survey – low satisfaction overall.
Achievement of improvement	3	<ul style="list-style-type: none"> • Improvement – most PIs. • Improvement against priorities. • Some low performance addressed. • New facilities and physical improvements. • Regeneration and community cohesion through direct action, voluntary sector and partnerships. 	<ul style="list-style-type: none"> • Some physical investment directed at lower priorities. • Lack of progress in housing enabling. • Lack of progress in refuse collection.
Investment	2	<ul style="list-style-type: none"> • Recent investment in strategic management capacity. • Improved internal and external communication. • Investment in services, supported by external resources. 	<ul style="list-style-type: none"> • Investment recent and effectiveness not yet demonstrated. • Resource planning/budgeting unresolved. • Consultation not strategic. • New culture not yet embedded.
Learning	2	<ul style="list-style-type: none"> • Self-aware – open to challenge. • Acted on learning from best value and own experience. • Some learning mechanisms in place. 	<ul style="list-style-type: none"> • Much learning recent. • Limited learning from other councils. • Limited learning across services. • Weak corporate management of learning.
Future Plans	2	<ul style="list-style-type: none"> • Early implementation of CPA improvement plan; scrutiny arrangements, management structure, corporate governance, performance/risk management. • Comprehensive draft local plan. • Long-term strategies – LA21, regeneration – crime/disorder. • Planning with partners. 	<ul style="list-style-type: none"> • Ambitions not linked to resources – no current medium-term financial strategy. • Plans to tackle weaker services unclear. • Housing enabling – plans weak. • Consultation on priorities for young people underdeveloped. • Plans to establish performance culture underdeveloped.

Scoring key

1 - Weak

2 - Weaknesses outweigh strengths

3 - Strengths outweigh weaknesses

4 - Strong