

Securing Improvement

Vale of White Horse District Council

Audit 2005-2006

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports to the Council

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 056 0566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Summary Report	4
Introduction	4
Council context	4
Context for this project	4
Review approach	5
Conclusions	6
Recommendations	7
Report	10
Improved focus and prioritisation	10
Some service improvement	11
Acceptance, in principle, of strategic reorientation and restructuring	11
Commitment to move forward	12
Internal communication and morale	13
Confidence in the capacity to manage and deliver change	14
Conclusion	15
Appendix 1 – management feedback briefing 3 October 2005	16

Summary report

Introduction

- 1 This report summarises findings from workshops that we ran with councillors, assistant directors, team leaders, supervisors and staff at Vale of White Horse District Council in 2005. We designed these to explore the Council's recent improvement record, as well as any risks associated with the change programme that the Council set up in order to secure longer-term improvements.

Council context

- 2 Following its Comprehensive Performance Assessment (CPA) inspection and assessment as 'fair' in 2004, Vale of White Horse District Council began a programme of substantial change. It focused its improvement priorities on major strategic issues, on a scale that tackled some significant challenges:
 - clarifying the Council's ambition and strategic planning process;
 - aligning political and management structures;
 - developing an effective change management process;
 - ensuring sufficient managerial and staff capacity; and
 - embedding a performance management framework and culture that demonstrably delivers service improvement.
- 3 To help deliver improvements through this more strategic focus, the Council began a major re-structure of its senior internal management. It recognised that realigning its existing managerial capacity could help it deliver its strategy and improve value for money. Having outsourced its leisure services it also needed to reduce its managerial overheads. It therefore took the opportunity to restructure its management teams in line with its emerging corporate plan, rather than along its previous service-orientated lines. The aim was a better integrated approach, with the opportunity for a range of improvements.
- 4 Since our workshops the Council has taken the steps outlined in paragraph 14, and agreed this report and its recommendations with the Audit Commission.

Context for this project

- 5 The Council's management restructure was intended to help it achieve the demands of its new corporate plan, by strengthening the capacity that would be required to achieve its improvement priorities.

- 6 In 2005 the restructure led to unforeseen consequences when several new managerial posts were not filled. The Council had decided to change its managerial structure to create three strategic director posts, supported by eight deputy directors (reduced from fifteen previous senior manager posts). However, it was initially unable to appoint to three posts from within its existing managers and staff. It therefore agreed a number of temporary contracts while determining how best to achieve its desired capacity - during which time some managers left for other jobs.
- 7 This hiatus followed a period of financial uncertainty (when the Council was divesting some services). It has had considerable impact on some groups of staff (especially the strategic directors, and their remaining second tier managers), by diverting capacity from other intended improvements. This lack of resolution led to an extended transition period in 2005.
- 8 The Council recognised the need to extend its change management capacity, as a result of these developments. It appointed an interim strategic director with responsibilities for organisational development in the summer of 2005. It did this to support it during its period of transition, and to help in facilitating and embracing a change of culture, as well as direction. Through this appointment the Council has made some further progress, as outlined in paragraph 14. It is basing this on an organisational development approach.
- 9 Our review was designed to assess the impact of all these changes, and the risks to the Council's improvement agenda. These risks stem from the scale and ambition of the Council's improvement agenda, and its capacity to achieve change. The Council acknowledges that realising its intentions will involve it in cultural, as well as structural, changes, which affect roles and relationships across the Council. Our work, therefore, contributes to assessing the Council's improvements in response to its CPA scores of '2' (ie 'weaknesses outweigh strengths') for ambition, capacity, performance management, service achievement, learning and future plans.

Review approach

- 10 We agreed with the Council to run workshops in September 2005, with groups of:
 - councillors;
 - assistant directors;
 - team leaders and supervisors; and
 - other staff.
- 11 From these four groups we were able to collate the views and perspectives of nearly 50 people about the Council's achievements and risks. The groups identified some areas of common concern, as well as progress. This report analyses and presents a summary of those discussions, and makes recommendations.

- 12 We asked each group about their views of the Council's improvement record, structuring each workshop to explore perceptions about what had already improved, and areas for further improvement - including any barriers. We also asked councillors to indicate their assessment of the Council against some of the improvement characteristics identified by the Audit Commission in its 2005 review of all district council Comprehensive Performance Assessments.¹
- 13 We presented our initial findings from the workshops at a management feedback briefing on 3 October 2005, as reported in Appendix 1. We have since compared these results and discussion with issues arising from our work on the Council's performance management, on which we reported in draft in January 2006. That, and the Council's continued progress, forms the basis of this report.
- 14 Since our workshops took place, the Council has confirmed its structure, including joint appointments with South Oxfordshire District Council to extend its financial and legal capacity. It has appointed to the new posts of Deputy Director of Organisational Development and Head of Communications, which will help it take forward many of the concerns identified in our discussions - including the need to establish improved performance management. It has also confirmed most other appointments to its strategic and deputy director tiers, and agreed the outline for a managerial development programme to help it secure and identify further improvement capacity.

Conclusions

- 15 The groups' perceptions are discussed further in our detailed report (from paragraph 20, below), and suggest broad recognition that the Council has achieved:
 - improved focus and prioritisation;
 - some service improvement;
 - acceptance, in principle, of strategic reorientation and restructuring; and
 - a commitment, at all levels, to continue to improve.
- 16 Concerns were expressed about:
 - internal communication and morale; and
 - confidence in the capacity to manage and deliver change.

¹ 'Characteristics of district councils in different CPA categories', table 1 in Audit Commission (2005) Comprehensive Performance Assessment: scores and analysis of performance for district councils in England, 2003/04. London: Audit Commission.

- 17 In summary, the Council has achieved a broad consensus over the principles of its restructuring, with evidence that some of its investment in a more corporate approach is already having an impact in areas of recognisable and tangible service improvement. Some new systems - such as IT, e-government, staff training and other resources - are supporting and helping to secure improvement. New performance management arrangements offer the opportunity for further streamlining of both focus and priority, although our workshops suggest that these arrangements are at an early stage - something that is confirmed in our separate report on the Council's performance management.²
- 18 However, the Council has had less success in securing the confidence of all its councillors, managers and staff in the more complex processes of cultural change. The groups recognised that specific effort will be needed to support the Council's transition to a more flexible and strategic organisation, capable of delivering a range of more stretching priorities. The scale of change in a relatively small district council necessarily renders this more difficult. But there are several areas where clearer leadership and direction could help the Council deliver its intentions for local residents. These include engaging more staff and managers in securing improvement, celebrating success and focusing on a range of organisational development practices in order to learn from its recent and continuing experience of change.
- 19 Our main conclusion is that the Council still needs to ensure that it has the capacity to achieve the improvements identified its CPA review in 2004 and its value for money assessment of 2006, in order to meet the ambitions of its corporate and community plans. Given the extensive impact of its restructuring in 2005, and the losses of momentum and confidence involved, it will need to focus on recovering lost capacity in the short-term, as well as building sustainable capacity for the future.

Recommendations

Recommendation

R1 Reinforce and accelerate the Council's change programme, and take specific steps to recognise and respond to its cultural and organisational development demands, including:

- *taking immediate steps to recover from the adverse impacts of change in 2005;*
- *being open about change, by promoting shared understanding of the nature of the challenges and organisational learning involved;*
- *assigning clear leadership responsibilities specifically for change management, to include councillors, directors, managers and staff; and*
- *providing further opportunities for team understanding and team working to address the impact and expectations of changed priorities.*

² Audit Commission (2006) Progress review: performance management: Vale of White Horse District Council

Recommendations

R2 Reinforce and accelerate the Council's change programme, and take specific steps to recognise and respond to its cultural and organisational development demands, including:

- *taking immediate steps to recover from the adverse impacts of change in 2005;*
- *being open about change, by promoting shared understanding of the nature of the challenges and organisational learning involved;*
- *assigning clear leadership responsibilities specifically for change management, to include councillors, directors, managers and staff; and*
- *providing further opportunities for team understanding and team working to address the impact and expectations of changed priorities.*

R3 In the light of the Council's revised strategic priorities, strengthen the capacity to deliver the corporate plan at all levels - among councillors, managers and staff, and by teams as well as individuals, including by

- *clarifying roles and relationships between councillors and managers, to ensure that the recent restructure has the impact intended;*
- *making sure that the changes that will be needed to deliver the Council's corporate priorities are clear, agreed and understood;*
- *progressively engaging all councillors, managers and staff in building capacity for change, for example through the new organisational development programme;*
- *ensuring objectives for service and organisational change are part of team and individual appraisal and learning systems;*
- *project and performance managing, and evaluating, the Council's new organisational development programme;*
- *establishing mentoring for councillors and the senior leadership team; and*
- *introducing a leadership and management development programme.*

R4 Strengthen existing communications to better support change and learning, ensuring that this makes a specific response to concerns about morale; including by

- *developing and using internal consultation and feedback;*
- *establishing staff and councillor attitude surveys; and*
- *celebrating success.*

Recommendations

R5 Review the Council's HR function, and access to specialist advisory skills, to ensure the capacity to support continued organisational change.

R6 Respond fully to this report by:

- sharing and discussing it openly within the Council, with staff as well as with councillors;*
- engaging these same groups in action planning that responds to it; and*
- developing an action plan, linked with corporate priorities, that will ensure progress is systematic and comprehensive.*

Detailed report

Improved focus and prioritisation

- 20 The Council has begun to consolidate improvement, in line with its priorities. The workshop groups were clear that the Council's high level priorities are beginning to make an impact on both service delivery and internal change. They were also clear that performance management is still bedding in, confirming the results of our separate report on this. It will be important to sustain this early momentum in emphasising corporate priorities, ensuring that these are clearly understood throughout the Council and that the Council strengthens its capacity to achieve its community's aims.
- 21 All four groups recognised that the Council had shown some improvement, although not yet strongly so. Improved corporate focus was evident in positive comments about the Council's investment and achievements in better systems and training, such as IT and progress with e-government, internal service agreements and inter-departmental working. These reflect corporate policy decisions and clearer priorities, although it was also significant that service improvement was often directly attributed to service-level rather than corporate lead. However, we found broad consensus that the Council was rightly focused on a number of the building blocks necessary to improve future service delivery.
- 22 Team leaders and supervisors, for example, cited several instances where resources had been committed to improvement. They noted that the Council now had a greater focus on performance management. They thought the Council was more customer focused, and working better in partnership with different sectors, such as business and voluntary groups. The other groups made similar observations, noting a positive relationship between resource prioritisation and better outcomes.
- 23 We found further evidence that high level priorities are beginning to make an impact on both service delivery and internal change through our separate progress review of the Council's performance management arrangements. That work concluded overall that the Council is tackling a more corporate and strategic approach, but has much more to do to secure it. The Council's new corporate plan (published in July 2005) provides an opportunity to further consolidate the focus across the Council on clear and achievable priorities.

Some service improvement

- 24 In general, the Council has not yet achieved a significant level of service improvement. This is unsurprising, given the level of internal change experienced in 2005, and because the restructuring designed to achieve that change is still in transition. Given this context, the improvements that have been achieved - including some that were recognised by all the workshop groups - are commendable. The findings of our separate performance management review focus on helping ensure that improvements happen in line with the council's priorities, so it will be important to continue to develop the capacity for this. This will help the Council achieve more significant and consistent improvements, in line with its agreed priorities.
- 25 Each group thought that the Council had been delivering some better services, and affirmed that the Council had achieved a range of improvements. Some results were seen as mixed, or the investment relatively recent, but there was a general recognition that services were improving - and some markedly so.
- 26 For example, all four groups commended improvements in environmental and housing services - including planning, recycling, redevelopment and choice-based lettings - reflecting areas of Council priority. They also recognised the efforts made to improve customer access through the introduction of local service delivery points. Other service improvements were noted - covering a range of achievements such as leisure, tourism, council tax collection, and community safety.
- 27 The groups' aspirations for continued service improvement tended to focus on achieving further with this same set of services, and on providing and contributing to a Council that is fully 'fit for purpose' to achieve this.

Acceptance, in principle, of strategic reorientation and restructuring

- 28 The Council has achieved a consolidated understanding of the broad rationale for strategic change across the organisation. This is a significant step forward, and is helping it strengthen its overall capacity through a better focus on corporate priorities. The risk is that this is still at an early stage, and that significant improvements remain to be delivered. The Council still has to implement many aspects of its restructuring, and establish confidence through clear two-way communication about it. Strengthened leadership, at all levels, will make an important contribution to this, and will complement the Council's investment in clarifying its priorities and establishing a performance management system.
- 29 We found that the groups generally understood, agreed and accepted the rationale for a greater strategic focus (on which the Council had consulted extensively, after its CPA assessment). Where the groups did perceive challenges for the Council, they were about implementation and clarity rather than principle.

- 30 Councillors, for example, thought that the restructuring was providing more focus and giving a stronger steer over the Council's priorities, while also developing and increasing managerial capacity. Assistant directors noted the advantages of better working with portfolio holders, and their collective experience as a more focused corporate management team. Team leader and staff groups each also noted instances of more streamlined and corporate approaches that were breaking down previous departmental barriers (although they also recognised that there was more to do).
- 31 At the time of our workshops the Council had begun to explore its assistant directors' understanding of and contribution to the leadership of change. This is an important repositioning from the Council's more traditional hierarchical approach. It recognises the contribution of staff and managers to meeting the more complex agenda of responding to a corporate, as well as service, agenda that reflects agreed community priorities.
- 32 The redirection also supports the desire expressed firmly by councillors for a better corporate delivery of agreed priorities, through closer service and resource alignment. Councillors, for example, were generally positive about the skills of and relationships with their appointed managers, while recognising that some of the systems with which to realise this potential needed to become more established. This included the performance management that would give councillors confidence in progress towards achieving priorities and give staff clearer responsibilities to work towards them.

Commitment to move forward

- 33 The strength of commitment evident across the Council is a significant organisational resource. However, it is not yet being managed effectively, given the extent of redirection that the Council has embarked on. The Council needs to ensure that commitment is not dented further by poor morale, as this has both reputational and resource risks. The Council's capacity is not yet underpinned by clear roles and relationships, or by clear leadership of change at all levels. These factors are important to improvement. Greater attention to them will also support the council's capacity to better performance manage its resources and priorities.
- 34 All four groups showed a strong commitment to the Council's priorities, and to the delivery of better services for its local people, interest groups, and communities. Each recognised that improved systems and some different ways of working would be needed to deliver this, and appreciated where the Council had already invested in its priority areas.

- 35 Equally however, and perhaps unsurprisingly, that commitment was also resulting in frustration. New and higher expectations had emerged but were not yet felt to be met, and key roles and relationships remained in transition. Until the Council establishes a more stable structure - and the systems to support it - it may struggle to manage and meet expectations, orchestrate shared ownership, and engage all staff managers and councillors in a common understanding of their respective contributions to the challenges of the new corporate plan. These are important factors in change, and will require continued focus if the Council is to maximise the potential contribution of all its stakeholders.
- 36 There was a general consensus that all groups needed to pull together to overcome this, to address perceived gaps between those with different responsibilities for the Council - such as getting the relationships, roles and understanding right between councillors and managers, and between the new senior leadership team and the Council's other managers and staff.

Internal communication and morale

- 37 The Council's internal consultation and communication have not proved effective during its restructuring, which has been having adverse impact on both morale and the ability to deliver Council priorities. Employee engagement is a weakness. A systematic approach to consultation and communication will help strengthen learning throughout the Council, and enable the Council to meet some of the more stretching challenges in delivering its priorities. Given the strength of feeling in this area, and the unfortunate delays in settling the restructure, it is important that the Council addresses this with urgency, as well as by building stronger systems for the longer term.
- 38 Communication and morale surfaced as major, and related, concerns. Staff and team leaders, in particular, expressed a wish for clearer communication, as well as purposeful engagement - reflecting the level of changes they were experiencing, and a wish for two-way communication about it. They also expressed a wish to be valued, and suggested a number of ways in which success might be both recognised and celebrated more systematically. Job security is clearly a concern; but this group - and the other groups - expressed greater confidence that services, rather than morale, would improve. All groups were concerned about relationships and morale, and their impact on services.
- 39 Concern about communication was also associated with a lack of clarity about the Council's approach to achieving change, which is discussed further below.

Confidence in the capacity to manage and deliver change

- 40 The Council has not yet established confidence in its ability to lead and manage all the changes associated with its redirection. Change leadership affects the capacity to secure improvement, and concerns about it were particularly evident in the strength of feeling about the Council's restructuring - despite the broad agreement that some restructuring was necessary. The Council's appointment of an interim director to help resolve some of the tensions involved has been a positive step, but the investment was at a relatively early stage at the time of our workshops. It will be important that the capacity to lead change is sustained through deeper understanding and ownership throughout the organisation, as well as specific actions and changes in roles and relationships.
- 41 In different ways, each group expressed concern about the Council's capacity to deliver major change effectively. Some thought that the Council's past track record in achieving change (for example, difficulties experienced in the recent initiative to review pay and grading and in establishing a fit for purpose appraisal system) had not helped to develop confidence. The cultural changes involved in the Council's level of expected (and actual) change are significant. But it was not clear to any group that the Council was taking specific actions to address this aspect of its effectiveness.
- 42 While some of these tensions might be expected with any change, some were quite marked. Some councillors, for example, expressed concern that things that they perceived as underlying barriers to change appeared quite deep-rooted. This included concern about shared corporate purpose and direction, and the relationships and morale needed to deliver it. It will therefore be as important for the Council to achieve the same degree of consensus and shared commitment over its approaches to its people and its management, as it is beginning to achieve over its purpose and priorities.
- 43 A shift in roles was beginning to emerge as part of the Council's change agenda, having established and recruited to director and deputy director tiers with clearer expectations of strategic leadership. This was recognised clearly by the deputy and assistant director group, who had been involved in designing the Council's structure for delivering both a changed agenda and approach. However, they and other groups were not yet convinced that the Council had recognised the importance of a changed ethos - suggesting that recognition of the need for changed roles and relationships had tended to be tacit rather than explicit. It will be important to clarify these, including any change of emphasis between councillor and manager roles.
- 44 These findings may not be surprising, given the extended restructuring process, managerial shortages, and a track record of operational HR challenges, such as implementing new appraisal and pay schemes. While it is to the Council's credit that it is now making strategically-focused changes, it will be important to sustain commitment to it and to agree values, roles and relationships associated with it.

Conclusion

- 45 Our main conclusion is that the Council still needs to ensure that it has the capacity to achieve the improvements identified its CPA review in 2004 and its value for money assessment of 2006, in order to meet the ambitions of its corporate and community plans. Given the extensive impact of its restructuring in 2005, and the losses of momentum and confidence involved, it will need to focus on recovering lost capacity in the short-term, as well as building sustainable capacity for the future.

Appendix 1 – management feedback briefing 3 October 2005

Vale of White Horse Council

Securing Improvement



Vale of White Horse Council Securing Improvement


Feedback briefing
3 October 2005

Alison Dewar

Audit Commission – Southern Region

Vale of White Horse Council

Securing Improvement



What we did on 28 and 29 October:

- Four focus groups to capture snapshot of perceptions
 - Councillors, front line staff, team leaders / managers, assistant directors
 - Open, confidential discussion
 - Nearly 50 people
- Broad initial views, and opening discussion
- Structured focus on changes in past 12-18 months
 - What's improved?
 - What still needs to improve?
- Formed initial 'headline' impressions
- Feedback to management team, 3 October, to help identify the issues to explore and actions to take

Headline issues

- Mixed views on extent the council has improved:
 - Recognition of current restructuring
 - But also concern about impact of past track record in change
- Positives are that improvement happening, with impact externally, and overall priorities clarifying
- Weaknesses focus on internal barriers and communication, can the council demonstrate capacity and values for change?

Things recognised as improving

- Mixed views on extent the council has changed, with best as 'slight overall improvement', including:
 - Better customer experiences through service improvements, e.g. – waste & recycling, planning, choice-based letting, access via local service points
 - Working with businesses
 - Use of and investment in ICT
 - Some joined up working, e.g. leisure
- Road 'chosen' for way ahead – clearer headline priorities and a senior management group
- More rigorous performance management beginning to draw the strands together (e.g. staff involvement in budget setting, BV process streamlined)
- Commitment has made these things happen.

Areas of uncertainty

- Relationships, roles, trust and recognition – formal systems / psychological 'glue'
- Cascade of direction and priorities, and clear up/down connections with them.
- Corporate visibility and openness
- Systems to make things happen across and within teams
 - service based, still not corporate
 - 'lots of motion, no improvement'
 - recognition of things done well – want a culture of learning and success
 - restructuring protracted, and not built on platform of confidence
 - morale, and perception will get worse:
 - 'we've been told we're rubbish', plus pay & grading effects
- Communication, communication – real, focused communication and consultation

The next stages?

- Discussion with management team
- More detailed analysis of existing data – and a report
- Agree feedback on report and its headlines
- Explore risk areas, engage with you in those
- Link with DoT, UoR and performance management review

Vale of White Horse Council

Securing Improvement



Contacts

Alison Dewar

tel: **07789 033 769**

email: **a-dewar@audit-commission.gov.uk**

Lorraine McMullen

tel: **07747 760 833**

email: **l-mcmullen@audit-commission.gov.uk**