

Corporate Governance Inspection

January 2007



Corporate Governance Inspection

South Cambridgeshire District Council

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Contents

Executive summary	4
Recommendations	8
Implications of the inspection findings	9
What is corporate governance?	10
Background to the corporate governance inspection in South Cambridgeshire	12
Report	14
Context	14
The locality	14
The Council	15
Community focus	17
Current arrangements	17
Prospects for improvement	21
Structures and processes	23
Current arrangements	23
Prospects for improvement	27
Risk management and internal control	29
Current arrangements	29
Prospects for improvement	32
Leadership, culture and standards of conduct	34
Current arrangements	34
Prospects for improvement	37

Executive summary

- 1 South Cambridgeshire District Council has a recent history of well publicised difficulties. In 2004/05 it agreed a 100 per cent council tax increase for 2005/06 and was capped. This has led to it having to find a 20 per cent reduction in its revenue budget and it has still to find further budget cuts in the context of substantial planned population growth in the area and consequently increased demand for services. In 2005 the Audit Commission's Direction of Travel assessment reported that service performance as measured by annual performance indicators (PIs) deteriorated in 2002/03 and 2003/04 but that the decline halted in 2004/05. However, in that year only 38 per cent of PIs were above average, 62 per cent below average and only 42 per cent of PIs had improved since 2002/03 which is below the average range of all district councils. In the context of the pressures on the Council's current capacity, the Audit Commission considers that there is significant potential for further deterioration in services.
- 2 The inspection was therefore initiated by concerns that there was a serious risk of failure of corporate governance at South Cambridgeshire District Council that posed a threat to service users, public funds and public confidence. The Corporate Governance Inspection was designed to make a full assessment of the Council's leadership and arrangements for conducting its business.
- 3 The Council has poor arrangements and does not meet minimum requirements in three of the four aspects of corporate governance assessed: leadership, culture and standards of conduct; focus on communities; and structures and processes for democratic accountability, decision-making and planning.
- 4 Political leadership in South Cambridgeshire District Council is poor. One manifestation of this is the avoidance of difficult decisions. Successive Cabinets deferred critical decisions on council tax rises for 2003/04 and 2004/05 despite information about the risks to the Council's finances. The Council decided not to proceed with council-housing stock transfer, which was likely to prove contentious, despite the financial implications for the Council. Community leadership is poor with councillors struggling to act corporately and collectively in the face of issues that affect the whole district. The Council was slow to respond to the arrival of increased numbers of travellers into the district in recent years and to the national and regional priority of substantial housing growth. The Council's partners perceive them to be largely passive in the regional and sub-regional partnerships that affect the district.

- 5 The Cabinet is failing to address a negative culture within the Council. There are incidents of poor behaviour by councillors, including verbal abuse of other councillors. There is a lack of mutual respect and constructive engagement between staff and councillors. Councillors continue to expect even senior officers to deal with minor queries at the expense of strategic work and priority areas. The culture within the Council is distracting officers and councillors from a clear focus on services and issues affecting the district and is impacting adversely on staff already under pressure as a result of budget reductions. Incidents of councillor misconduct are leading to negative publicity and contributing to a poor reputation for the Council amongst partners and other stakeholders.
- 6 It is not evident that the Council's senior managers are able to provide the effective organisational leadership that is needed. In the last year capacity in the senior team (SMT) has reduced from four to two senior posts. The combination of the two important statutory roles (Head of Paid service and section 151 officer) in one of the posts weakens the governance arrangements by reducing the scope for constructive challenge and dialogue. The new Chief Executive is aiming to provide a renewed sense of leadership to the Council by tackling some long-standing problems such as councillor-officer relationships but to date his initiatives have had little impact.
- 7 The Council is not effectively focused on its communities. It has developed a Community Strategy with its partners in the Local Strategic Partnership (LSP) to deliver improvements in the quality of life of residents, but leadership of the LSP by the most senior councillors and officers is inadequate. Plans for the delivery of the Community Strategy are not well-integrated into the Council's own plans. There are some good partnership projects and initiatives in local areas but there is limited evaluation of how effectively the strategy is being delivered overall. The Council has some good and effective ways of communicating with its residents such as the 'South Cambs' magazine but methods of engagement and two-way dialogue are under-developed. It has improved arrangements for access to services for its citizens in a range of ways but the joint contact centre with Cambridgeshire County Council is not yet fully effective. It is now catering effectively for the needs of its traveller population but not for other minority ethnic residents.
- 8 Decision-making by the Council is not effective or robust. There is no clear or consistent approach to reaching decisions. Reports do not always receive scrutiny by all the relevant officers before being presented to councillors. There is limited evidence that decisions are subjected to robust analysis or that a good understanding of the risks involved and likely impact is reached before a decision is made. A lack of transparency in its decision-making is a theme in local press coverage and is adversely affecting the Council's reputation.

- 9 Ineffective decision-making is one aspect of the Council's poor application of the modernised political structures introduced in the Local Government Act 2000. Traditional ways of working are being retained within the modernised structures. For example there are a number of Advisory Groups whose role and relationship to the decision-making process is in some cases unclear. Scrutiny is ineffective in presenting any constructive challenge to the executive and in policy development. Despite recognising these weaknesses the Council has not sought to address them. The current processes are leading to confusion and inefficient working.
- 10 A lack of strategic capacity amongst managers impacts adversely on strategy and policy development and review. There is no strong corporate lead on performance management and both service planning and performance management are not consistent. At the time of the inspection the capacity of the Council's Human Resources team was not sufficient for it to be effective in supporting the Council in the management and development of its workforce or in the delivery of future changes.
- 11 In the fourth area of corporate governance assessed - the arrangements for internal control and risk management - the Council's arrangements are fair and meet minimum requirements. It has established systems for internal control although these are not consistently applied in several areas. It has a sound approach to monitoring and reporting its annual budget and has a good track record in this area. However it is not planning its financial resources effectively in the medium to longer term, as evidenced by its failure to raise council tax sufficiently in previous years, even though it had a medium term financial strategy process for some years. Some services are developing a stronger performance management culture and so improvements are being made but there is no strong corporate approach and councillors have limited involvement. It has sound project management processes and tools but these are also inconsistently applied. The Council is not managing risk effectively. There is insufficient attention paid to reputational risks and councillors do not always take account of identified risks in reaching decisions.
- 12 We are not confident about the prospects for improvement in the next 12 months in any of the four areas assessed.
- 13 Resource constraints as a result of the substantial budget reductions are having an increasing impact on all aspects of the Council's staff and services. Staff morale is also being negatively affected by councillors' unrealistic expectations of officers and by the impact of some councillors' poor conduct. While some additional external resources have been secured for training and to fund temporary posts, resource pressures and low staff morale are likely to impact in the short term on the flexibility and capacity of the Council to achieve the significant improvements in its governance arrangements that are necessary.

- 14 The track record of improvement in the last year is mixed and does not provide a sound basis for confidence in the Council's ability to deliver the substantial improvements that are needed. There are some signs of progress and of a recognition of the need to change. Positive improvements include the formation of a successful cross-departmental group to co-ordinate work with travellers, and wider public consultation to refresh the Community Strategy. The new senior managers have taken the initiative to get the Cabinet to address some of the significant cultural issues. Counter-balancing the positive signs of progress are areas of deterioration for example in the reduction of service planning and of officer support to the LSP. Additionally levels of awareness amongst leading councillors that they are a part of what needs to change are low. There is no evidence of changed behaviour as a result of the senior managers' initiative. There is no shared widespread acceptance of the full breadth and depth of what the Council needs to address.
- 15 The Council has plans in place to address some areas of weakness but there are gaps and other plans are not robust or fully resourced. For example there are no robust or agreed plans to address weaknesses in the decision-making processes or to address councillor misconduct. The ambitious Transformation Project is underway and aims to restructure the organisation, reconfigure the ways services are delivered, improve cross departmental working, strengthen the linkages between the Council and the contact centre and produce financial savings. But there are no detailed plans for how it will be fully delivered and the dedicated resources in place to deliver major strands of the project are time-limited and do not match estimates of the resources needed.
- 16 In summary, severe resource constraints and the need for further budget reductions, limited awareness amongst councillors of the scale of the Council's problems, and a lack of comprehensive robust plans to address the weaknesses mean we are not confident that the Council will make improvements in the next year.

Recommendations

Recommendations
<p><i>R1 The Council must address clear weaknesses in its political leadership. In doing this the Council must:</i></p> <ul style="list-style-type: none"><i>• improve standards of conduct;</i><i>• provide clear political priorities;</i><i>• improve Council decision-making processes to ensure clear accountability, openness and transparency; and</i><i>• more effectively engage with partners on strategic issues.</i>
<p><i>R2 The Council must ensure it has sufficient capacity to deliver its responsibilities in the context of the challenges of the planned population and housing growth in South Cambridgeshire.</i></p>
<p><i>R3 The Council must ensure that its policies and behaviours address the needs of, and promote the wellbeing of, all sections of its community. In doing this the Council must ensure it:</i></p> <ul style="list-style-type: none"><i>• meets its statutory duties under the Race Relations (Amendment) Act 2000 to promote equality of opportunity and good relations between persons of different racial groups; and</i><i>• prepares now for meeting its responsibilities under the Equality Act 2006.</i>

Implications of the inspection findings

- 17 Under section 13 of the Local Government Act 1999 the Audit Commission may make a recommendation to the Secretary of State that he or she gives a direction to an authority that is failing to meet its best value duties.
- 18 The inspection team has found that, in relation to the community focus, structures and processes, and leadership themes in this inspection, the Council's current corporate governance arrangements are inadequate and that these are unlikely to improve over the next 12 months. Under paragraph 26 of the Commission's Corporate Governance Inspection framework it must consider whether it should make a recommendation to the Secretary of State under section 13 of the Local Government Act 1999.
- 19 The Commission has considered the representations that the Council has made about the report, its recommendations and the issue of referral.
- 20 At this stage the Commission is not proposing to refer the Council to the Secretary of State under section 13 of the Local Government Act 1999. We will re-inspect the Council in autumn 2007 to determine how effectively the improvement plan is being implemented. If the Council does not make adequate progress in addressing the issues raised in our CGI report and the Council's subsequent improvement plan, then the Audit Commission will reconsider whether it is appropriate to exercise this power.

What is corporate governance?

- 21** Corporate governance is the framework of accountability to users, stakeholders and the wider community, within which organisations take decisions, and lead and control their functions, to achieve their objectives. The quality of corporate governance arrangements is a key determinant of the quality for services provided by organisations. The purpose of a corporate governance inspection (CGI) is to assess the quality of a Council's corporate governance arrangements.
- 22** The legal basis for the Commission's corporate governance inspections is the power established in the Local Government Act 1999 to carry out inspections of a best value authority's compliance with its duty to 'make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.' Specifically, sections 3,10,11 and 13 of the Act provide the relevant powers and duties for the Commission to inspect, report and make recommendations to the Secretary of State. Where the Secretary of State receives a recommendation under section 13, section 15 provides him/her with the power to issue directions to a 'failing authority'.
- 23** A corporate governance inspection collects evidence to provide judgements on the following two questions.
- How good are the Council's corporate governance arrangements?
 - What are the prospects for improvement in the Council's corporate governance arrangements?
- 24** The answers to these questions will determine the scope and nature of the recommendations. Where the Commission is satisfied that current arrangements are and will remain adequate, or that currently inadequate arrangements will improve, it will recommend actions that the Council can take to ensure sustainable improvements are made. Should the Commission not be satisfied that adequate arrangements can be developed, it will recommend more serious action. This can include referral to the Secretary of State, where the Commission has evidence that any of the following apply.
- Serious service failures in an authority that could result in danger or harm to the public.
 - Persistent failure by an authority to address recommendations made by inspectors (or auditors).
 - Serious failures in a number of services in an authority, which reveal fundamental weaknesses in an authority's corporate capacity to manage services and make improvements.

- 25** Inspections of corporate governance take a themed approach which looks at how the Council approaches.
- Community focus - covering understanding of local needs, vision, access to services, communications and partnership.
 - Structures and processes - democratic accountability, decision-making and planning.
 - Risk management and internal control - financial performance, risk and project management.
 - Leadership, culture and standards of conduct - community, political and managerial leadership, member-officer relationships, ethical standards and behaviour.
- 26** Within this structure, each corporate governance inspection will have its own particular focus, depending on the reasons for the inspection. Inspection teams include inspectors from a range of backgrounds working alongside senior officer and elected member local government peers from other Councils. The size and make-up of the team depends on the inspection.
- 27** The CGI framework and Key Lines of Inquiry are published on the Commission's website www.audit-commission.gov.uk.

Background to the corporate governance inspection in South Cambridgeshire

- 28 The inspection was initiated by concerns that there was a serious risk of failure of corporate governance at South Cambridgeshire District Council that poses a threat to service users, public funds and public confidence.
- 29 The Audit Commission is concerned that there is a significant risk of deterioration in services. This is in the context of declining resources and increased demand due, in particular, to housing and population growth in South Cambridgeshire. In 2004 the Audit Commission published its Comprehensive Performance Assessment (CPA) and categorised the Council as 'fair'. In December 2005 an Audit Commission Direction of Travel assessment found that 'there was a decline in performance in 2002/03 and 2003/04 which halted in 2004/05'. In 2004/05, 38 per cent of performance indicators (PIs) were above average compared to 62 per cent below average. Only 42 per cent of PIs had improved since 2002/03, which is below the average range for all district councils. Using a Commission set of indicators that focus on service performance, in 2004/05 the Council had only 21 per cent of such indicators in the top quartile which is below the averages for district Councils categorised as fair, weak and poor in CPA.
- 30 Work undertaken jointly in 2005 by the Commission and the Council's auditors RSM Robson Rhodes identified significant weaknesses in relation to prioritisation and performance management. The Commission has also identified concerns about the capacity of the Council to deliver its major organisational change programme (the Transformation Project) and improve services.
- 31 The Commission has concerns about the Council's decision-making and capacity in relation to its finances. For several years from the nineties the Council set nil, negative and low rates of council tax, significantly below the actual cost per household of the services it delivers. This was against a backdrop of having substantial financial reserves with which it was able to subsidise service costs. In 2003/04 and 2004/05 the Council kept its council tax levels at £70 pa (for a Band D council tax property) in the face of officer advice that reserves were declining and that consideration should be given to making stepped increases in council tax levels. In 2004/05, faced again with advice about declining reserves the Council agreed a 100 per cent increase in council tax for 2005/06, from £70 pa to £140 pa, and was capped. As a consequence the Council has had to find savings of £2.6 million which represents approximately 20 per cent of its revenue budget. The financial pressure is set to worsen. South Cambridgeshire is one of the areas identified by the government for substantial housing growth (20,000 homes¹) over the next ten years. With each new household the gap between the council tax receipts and the actual cost of service delivery increases.

¹ Cambridgeshire and Peterborough Structure Plan

- 32 In 2005/06, as the first step in the current phase of its Transformation Project, the Council embarked on a restructuring exercise of its senior management team which led to its four senior officers being offered either redundancy or retirement. Three of the four senior officers requested redundancy or retirement. In the event the Council asked one chief officer to stay on and he took up post on a one year fixed contract as both Chief Executive and Director of Finance/section 151 officer. It created a second chief officer post, an Executive Director, which was filled by one of the previous senior officers. The Council therefore now has two senior managers compared with the previous four posts. The aggregate total of the financial settlements to the departing chief officers, in the context of the substantial savings the Council has had to find, led to negative publicity locally.
- 33 There are concerns about relations between councillors, and between councillors and officers. The Council has had complaints by officers of bullying by councillors and of being treated disrespectfully. A decision by the Standards Board for England (SBE) in September 2006 found that a councillor had treated one of the Council's planning officers disrespectfully in a public meeting. In 2005/06 there were 19 new complaints to the SBE (less than in previous years), and 24 determinations by the SBE on complaints. Some complaints are still under investigation. Seventeen of the 24 determinations were judged to be premature referrals or were not pursued for other reasons. Four of the cases were referred back to the Council for local determination, having found against the councillor in two cases for breaches of the Code of Conduct, and no evidence of breach was found in another. The fourth is referred back to the Council's Standards Committee and is still ongoing. The referrals to the SBE include a number by councillors against each other. There has been adverse publicity in the local press about the conduct of a minority of councillors.
- 34 The substantial concerns about the capacity of the Council, its decision-making and its public reputation mean there are significant risks that it will not be able to deliver future improvements in services and the housing growth that is planned for the district of South Cambridgeshire.
- 35 In August 2006 the Audit Commission confirmed to the Council that it would undertake a corporate governance inspection. While all aspects of the Council's governance (community focus, structures and processes, internal control and risk management and leadership) were to be inspected it was agreed to focus particularly on:
- policy and decision-making processes;
 - the Council's human resources strategy;
 - stewardship of the Council's resources, including its asset management, financial reporting and monitoring, and planning resources over the medium to long term;
 - performance management;
 - risk management; and
 - leadership, culture and standards of conduct.

Report

Context

The locality

- 36** South Cambridgeshire consists of 900 square kilometres of countryside that surround the city of Cambridge. It is predominantly a rural area which contains no towns, but has a number of smaller settlements and 101 parishes. The majority of the villages have populations of less than 1,000 people. The district contains Cambourne, where the Council offices are located, which is a wholly new village of approximately 3,500 people, built in recent years on a greenfield site.
- 37** South Cambridgeshire is in an economic sub-region with a buoyant economy driven by the 'high tech' and 'biotech' sectors. While farming is still a significant aspect of the local landscape the district provides bases for a large number of businesses with the administration, financial and service sectors being major employers.
- 38** The district is part of one of the government's four 'growth' areas identified for substantial development over the next 10-12 years. Major housing developments are planned in the district including fringe developments for Cambridge City, which overlap into South Cambridgeshire, and a new town of approximately 8,000 homes at Northstowe. The population of the area increased faster than regional and national averages between 1991 and 2001, growing by 7.1 per cent to reach 131,000 people in 2001. The plan is for the population to grow by a further 33 per cent by 2016 with 20,000 new homes. The regional planning guidance and structure plan identifies the largest increase in the number of dwellings of any district in eastern region. Planning permissions for the new homes will mostly be needed over the next 12 to 24 months, together with plans and negotiations for section 106 arrangements and the associated infrastructure and services.
- 39** The population of South Cambridgeshire is predominantly white British (93 per cent). The largest ethnic minority population in the district is the fluctuating traveller population, estimated at 1,300 people (1 per cent of the population of the district) in the sub-regional Travellers Need Assessment survey published in 2006.
- 40** Quality of life and economic wellbeing are high in the district. The national deprivation index (2004) places South Cambridgeshire as 345th out of 354 Council areas in the country. Unemployment was 0.8 per cent in August 2006, which is lower than regional and national averages of 1.9 and 2.6 per cent respectively. Levels of educational attainment are high with the percentage of 16-60 year olds with poor literacy and numeracy skills being 7 per cent below the national average. Average life expectancies for both males and females are above the national averages.

The Council

- 41 South Cambridgeshire District Council comprises 57 elected councillors. At the time of the inspection the political make-up was 25 Conservatives, 19 Liberal Democrats, 12 Independents and 1 Labour councillor. The Council has adopted a leader and cabinet model of governance. Elections are held every year for one third of the Council's seats.
- 42 The Council has a history of no political group having a sufficient majority to take overall control of the Council. As a result it has operated a 'consensus' approach with all three largest political groupings included in the Cabinet on a proportionate basis. In May 2006, for the first time in the history of the Council, the Liberal Democrat group decided to create a formal opposition, but recognition of this, for example, by inclusion in the Council's Constitution, has been resisted by the executive. The current Cabinet comprises Conservative and Independent councillors on a proportionate basis, with a Conservative leader. There is a Scrutiny Committee chaired by an Independent councillor and a Standards Committee with a chair who is independent of the Council.
- 43 At the time of the inspection the Council was proceeding with its management restructuring exercise. This is part of the Council's Transformation Project which encompasses a major review of the organisational structure to improve the focus on customers in service delivery and the further development of the Council's customer contact centre, Cambridge Direct, which is run jointly with Cambridgeshire County Council. Having reduced the senior management team from four to two, restructuring of the second tier is underway, with a reduction planned from nine service heads to five corporate manager posts.
- 44 The Council's general revenue budget in 2006/07 is just less than £12.5 million. Council tax is £97.48 which is the ninth lowest rate of all district councils and is substantially less than the cost of Council services. General fund balance reserves at 31 March 2006 were £6.2 million compared with £9.1 million in 2004/05. £6.2 million is still substantially more than the minimum level of balances of £1.5 million that the Council has set as a target for itself following advice from its external auditors that a minimum level of balances should be set.
- 45 The Council faces the financial challenge of how it is to achieve the Decent Homes Standard for Council-owned domestic housing stock over the next few years. In June 2005 the Council deferred a decision about whether to retain or transfer its stock. In June 2006 the present administration decided not to proceed with stock transfer. On current modelling the Council is unable to fund all of the necessary capital works to meet the Decent Homes Standard after 2008/09. Officers are currently updating the stock condition survey to assure themselves that current financial modelling is securely based.

46 The Council with its partners in the Local Strategic Partnership has agreed a Community Strategy (2004-2007) which includes a long-term (2020) vision for the area and has six aims:

- active, safe, healthy communities;
- building successful new communities;
- a prosperous district;
- good access to services;
- quality homes for all; and
- a high quality environment.

Community focus

Current arrangements

- 47 The Council's current arrangements for ensuring a focus on its communities are poor: not delivering minimum requirements.
- 48 The Council is not working effectively to meet the needs of the area and all their residents. Individually councillors work well with and represent their parishes and local communities. But they are not working well collectively and corporately as a Council in addressing the overall needs of the district and all their communities. This manifests itself in poor partnership and community leadership, and reactive and slow responses to challenges affecting the district. This was the case with the Council's response to the increase in the number of travellers in the district from 2003.
- 49 Leadership of and engagement in the district's Local Strategic Partnership (LSP) is poor. The Council with its partners was effective in 2004 in identifying and articulating a long term (2020) vision and the six broad aims for the area in the Community Strategy (2004-2007). The aims are cross-cutting themes that provide a good basis for the Council and its partners to work to improve the quality of life of its current and future residents. But there is now little visible involvement in the LSP from leading councillors and chief officer input is also limited. The LSP, unusually for a district partnership, is chaired by a county councillor. Partner engagement has declined since the Community Strategy was agreed. Staff resources to support the work of the LSP have been reduced leaving one committed and motivated officer within the Council to undertake this role alongside other responsibilities. The Council cannot meet the needs of the district and all its communities on its own, and it is not using the LSP effectively to increase its capacity to deliver.
- 50 The Council is not consistently effective in regional and sub-regional partnerships. Its lack of leadership and senior representation in important partnerships is preventing South Cambridgeshire's interests being expressed adequately. Other stakeholders see the Council as being slow to take up the challenges of the growth agenda and having a narrow view of the district's needs that ignores the wider regional context. The Council's reputation with external partners is being adversely affected. In the absence of any strong lead on partnerships, the Council is seen, largely, as passive and missing opportunities to deliver benefits for local people.

- 51 Direct engagement by the Council with its communities in developing the Community Strategy was limited. It drew on existing consultation information amongst the partners, surveyed its residents through the Council magazine and held a telephone consultation with a sample of residents. But no face to face consultation took place and it cannot be sure that it reached all its residents, or that the views of its minority groups were received. The Council is addressing this weakness in its current review of the Strategy. It is taking greater account of local needs and opportunities by means of an analysis of parish plans, a postal survey, workshops with residents, and a quality of life survey, and again using its magazine to garner views. But, as with the 2004-2007 Strategy, it has not made specific arrangements to reach some important groups such as young people, so it cannot be confident that their views and aspirations are appropriately reflected in its plans.
- 52 Plans to deliver change based on the needs of the local community are not coherent or comprehensive. While the Community Strategy identifies some clear aims it is not well supported by plans for action. The Strategy includes 25 actions for partners, including the Council, to deliver. However there are no priorities and no clear targets and timescales by which to measure achievement. This means that it is not clear how the Council and partners have set about delivering their aims.
- 53 The Community Strategy aims are not well translated into the Council's own aims and objectives. Linkages between the Community Strategy and the Corporate Strategy are poor. The Corporate Strategy was agreed and published before the Community Strategy, and has not been refreshed. The Council's 2006 Best Value Performance Plan (BVPP) contains actions for 2006/07 to contribute to the achievement of the Community Strategy but the actions are for one year only. Relevant actions are contained in service plans but the links to delivering the Community Strategy aims are not explicit. It is difficult for staff, the public and stakeholders to see how well the Council is focused on delivering the Community and Corporate Strategy and whether progress is being made.
- 54 The Council and its partners have not evaluated whether they are achieving the Community Strategy aims. There are many partnership projects and initiatives at an operational level in local communities which appear successful. For example the Council is working with health partners on childhood obesity initiatives, Broadband access is being brought to villages, and there are examples of community safety initiatives and pollution control, sport and leisure developments. These initiatives reflect the Community Strategy aims, but in the absence of any overall evaluation of impact it is not clear how much difference these programmes are making to local communities or how far the 2004-2007 Strategy has been delivered.

- 55 The Council is working more effectively strategically with partners in the area of housing and population growth. It is working co-operatively with Cambridgeshire Horizons, the local partnership charged with co-ordinating the delivery of the growth. The Council has been successful in delivering significant housing growth including the development of Cambourne, and in contributing successfully to its own objective of providing more affordable homes. The Council's planning services have so far met what has been demanded of them. The Core Strategy, the planning strategy for the sub-region up to 2016, has just been approved. But there are weaknesses. The perception amongst some stakeholders is that the Council is struggling to meet demands and that it does not have the capacity to learn from past mistakes, for example in applying the learning from the development of Cambourne to Northstowe. At the time of the inspection a Growth Area Project Team, set up to plan and co-ordinate the Council's approach to the growth areas had not met since June while its terms of reference and membership were reviewed. The Team had not been sufficiently effective due to a lack of officer support. Stakeholders perceive the Council to have lost out on benefits to the community from section 106 monies and that it is not strong enough in ensuring that developers deliver on their commitments.
- 56 The Council is not managing its public reputation well in the local area. Council matters have, on occasions, been leaked to the local media rather than through the official Council communication channels. The comments and behaviour of some councillors have also led to negative press coverage. This is impacting adversely on the Council's reputation with its partners and on staff morale and is bringing the Council into disrepute. It also potentially adversely affects the public's perception of all councillors, not just those in South Cambridgeshire.
- 57 The Council has some good means of communication with residents and other stakeholders, such as its parishes and business community but there is limited evidence of engagement or genuine dialogue. It has a widely read 'South Cambs' magazine, a website, and a weekly e-communications update to the media and local businesses. Councillors attend parish council meetings in their wards to aid communication. The Council has a clear and comprehensive communications strategy which sets out the scope of the Council's communications, including with some minority groups, and also sets out areas for development. However, the Council makes limited use of public meetings nor does it hold Council meetings in different venues around the District to make them more accessible to its population. The perception of some local partners is that their views do not influence the Council's plans or policy developments. Overall communication is largely one-way from the Council to its residents.

- 58 Internal communication is not working well although steps are being taken to improve it. Weekly Chief Executive briefings have been introduced. The Council is developing an internal communications strategy which will draw its key aims from a recent staff consultation. Although the response rate of 42 per cent was lower than for previous surveys, the consultation shows that staff perceptions of communication are improving. But in some instances communication about major changes affecting staff is limited. For example, until recently staff have had no detailed information about the proposed new Council structure once the Transformation Project is complete. Inadequate internal communications may affect staff morale and engagement in the significant structural changes about to take place.
- 59 The Council's performance in ensuring all its communities have access to its services is mixed. Customer satisfaction rates are good. Buildings are accessible and the Council's website contains a good range of information, although its interactive functions are limited. The Council has extended access through its joint contact centre with Cambridgeshire County Council (Cambridge Direct) and the development of 12 community access points. Revised customer service standards were launched in October 2006. However the Council has not comprehensively monitored the contact centre's performance and queries that cannot be dealt with by the centre are not always dealt with promptly or effectively by the Council due to resource and system constraints. This means the Council does not know how well it is meeting customer needs and the public is not getting the best out of the Council's investment.
- 60 The Council is not catering effectively for the service needs of minority groups. The Council's website includes appropriate facilities for people with visual impairment to access information and, after a slow start, the Council is demonstrating leadership to address the needs of its traveller population and settled communities. However, the Council is not effectively recognising and representing the needs of its other minority ethnic populations. At March 2006 it had not reached Level 1 of the Commission for Local Government Standards for Equality and scored only 26 per cent against the Race Equality checklist against a top quartile in 2004/05 of 63 per cent. Staff from black and minority ethnic populations are underrepresented in the Council compared with the local population. There is a clear perception amongst some stakeholders that some councillors' attitudes and behaviours are racist and discriminatory. Lack of progress in meeting the Equality Standards reinforces a view that this is an area the Council does not take seriously, and undermines the Council's reputation.

- 61 The Council has invested substantially in its ICT capacity and has an ambition to deliver clear benefits for its communities but it is not yet achieving this. Since 2003 it has made significant financial investment in replacing legacy systems and updating its voice and data network. It has achieved 100 per cent on the national e-government target. But its website lacks interactivity and the contact centre is not yet well supported by the Council's systems. Some internal systems such as HR and Payroll and its management information system are not fully effective. It has agreed key strategies such as the recently refreshed ICT Strategy, the Transformation Project and the Service First initiative as part of its plans to deliver improvements for customers and has earmarked capital resources for ongoing investment. But as yet the public is not receiving significant service improvements as a result of the Council's investment.

Prospects for improvement

- 62 We are not confident that the Council's arrangements for community focus will be improved over the next 12 months.
- 63 It is uncertain that the Council has the capacity and skills to deliver its major programmes of change, in particular for housing growth and the Transformation Project. While resources have been identified for some areas, for example capital resources for ICT systems, the Council's staff are under pressure due to 20 per cent budget reductions and budgets are set to decrease further. The Council has been successful in attracting some external funding to support improvements but some of the additional posts are only funded on a short term basis. This makes it difficult to retain good staff, for example in the competitive market of planning. In relation to the Transformation Project there is no guarantee that the additional posts of Change Manager and Project Manager will be sufficient to see this major project through. These posts are for one year despite the consultant's estimate of twenty months for the delivery of up to ten business process reviews (BPRs). Lack of capacity and skills puts the planned improvements at significant risk.
- 64 The Council recognises that there are areas for development and has a recent track record of some improvements. For example, it has responded to criticisms of the lack of direct consultation for the Community Strategy and the arrangements underpinning the revisions to the Strategy are more comprehensive. There is still scope for better engagement with particular groups such as young people. The Council has renewed its Race Equality Scheme and is demonstrating stronger corporate leadership on traveller issues, the largest BME group within the district. It has participated in a Cambridgeshire-wide needs assessment and it is also consulting on its policies in relation to traveller's housing needs as part of the development of the Local Development Framework (LDF).

- 65 Leading councillors are not self-aware about the need to improve the way they work strategically and contribute to partnerships. Instead Cabinet members take comfort in the success of the local projects that the Council is delivering. This lack of awareness undermines confidence that its leadership of the LSP or its contribution to sub-regional and regional partnerships will improve.
- 66 The degree of coherence and integration in the Council plans to improve its community focus is mixed. Some key plans such as the revised ICT Strategy and Transformation Project are clearly linked. For example the ICT Strategy's priorities include the integration of back-office systems and the development of customer relationship management (CRM) as well as continuing to develop a high quality service with Cambridge Direct, all of which are part of the Transformation Project. However, some plans do not have sufficient detail for there to be confidence about their success or completion. The plan for how the Transformation Project will be achieved is a project management gantt chart and there is nothing produced for staff that sets out how the various workstreams will be delivered, or how the Council will be different when the Project is completed. There are no plans in place to address other areas of weakness such as leadership of the LSP or the contribution to regional and sub-regional partnership working. The Council does not have comprehensive and deliverable plans for all areas of improvement.
- 67 In summary, although the Council is addressing some of the weaknesses in its community focus it is unclear that it has the capacity and skills to sustain these or to successfully deliver improvements. Awareness is lacking in some areas, and comprehensive plans for improvement across all aspects are not fully in place.

Structures and processes

Current arrangements

- 68** The Council's current arrangements, structures and processes for democratic accountability, decision-making and planning are poor: not delivering minimum requirements.
- 69** The Council is not making the modernised political arrangements introduced by the Local Government Act 2000 work effectively. It has not applied them robustly or with full commitment. For example, whilst the Constitution is generally sound and complies with the Act it has some important omissions. It does not refer to the Audit Panel, and has no Monitoring Officer protocol. It has no diagram of structures, nor details of partnership arrangements. There is no clearly defined role for the Leader and no ethical champion in Cabinet responsible for giving a lead on governance issues. The role of the opposition is not recognised. The Council has no clear documented approach to ensuring that the structures and processes that comprise the essential elements of corporate governance work effectively together. It has not adopted the Code of Corporate Governance (as recommended by CIPFA and SOLACE) or developed something similar. Gaps in the Constitution and the lack of any description of how the elements of corporate governance in the Council work together means that it is not clear how decision-making takes place.
- 70** Political accountability for governance is unclear. Neither the Audit Panel nor the Scrutiny Committee has specific responsibility for governance issues. Structurally the ability of the Audit Panel to provide independent assurance is compromised by the fact that it is a sub-committee of Scrutiny and has the same chair. It has no decision-making powers. The result is limited effectiveness of the constitutional arrangements.
- 71** The Council is working inefficiently and lacks clear focus. Traditional ways of working have been retained within the modernised structures. Full Council, which meets monthly, receives minutes of most committee and panel meetings allowing debates to be re-opened despite delegated decision-making. An 'open-door' policy to sitting on the Planning Committee means it has comprised of more than 30 councillors at times. A Scrutiny Committee has been set up but it makes little impact in terms of meaningful challenge or policy development. There are approximately ten Advisory Groups some of whose functions replicate the old committee system and whose relationship with the Cabinet and Scrutiny is in some cases unclear. These Advisory Groups are not consistently bound into the policy-making process and consume scarce resources, especially officer time. The effect is to create confusion and unnecessary duplication which weakens the focus of the Cabinet system.

- 72 Decision-making is not robust. Much time in Cabinet and full Council is spent on items relating to processes and structures at the expense of the key operational or strategic issues. Decision-making has historically been slow, with major decisions that are politically difficult being deferred by Cabinet. There is sometimes little evidence of sufficient analysis and understanding of the impact and risks of key decisions. There appears to be no commitment to or understanding of the principles behind the modernised decision-making structures. There is no clear alignment between corporate objectives, the responsibilities of portfolio holders and service areas. The inconsistent approach to decision-making makes it difficult for stakeholders to have confidence in the ability of the Council's leaders to make rational, considered and timely judgments on matters that will have a significant impact on the organisation and services.
- 73 Officer support for decision-making is inconsistent and councillors do not always take due notice of officer advice when it is presented. This was the case with decisions not to raise council tax levels for two successive years in 2003/04 and 2004/05. Councillors and senior management do not work together effectively in the pursuit of common goals. Reports to councillors do not receive consistent scrutiny by key officers in the wider management team before being considered. In particular the role of the Monitoring Officer in the decision-making rather than regulatory context is not well understood or accepted. At the time of the inspection the post was not part of the Senior Management Team (SMT), the postholder did not attend SMT meetings when reports to councillors were discussed and did not receive all reports as a matter of course. The influence and impact of the role is limited and it is underutilised as a support for the other two statutory roles and to councillors.
- 74 Constructive internal challenge as part of the decision-making process is under-developed and not valued. The Council's overview and scrutiny function is not effective in scrutinising and challenging the executive. The Scrutiny work plan does not align to the Cabinet forward plan, or the Council's priorities or objectives and there is no formal dialogue between the Cabinet and Scrutiny to ensure value is added to the conduct of the Council's business. Scrutiny also has a limited role in challenging existing service plans, or shaping new ones. Consequently the Council is missing opportunities for structured, consistent challenge to test the robustness of its policy and decision-making.
- 75 The Council is making efforts to become more transparent in decision-making but is working from a low base. It is hampered by the fact that it has not comprehensively and clearly communicated its democratic structures or how decision-making takes place. Longstanding negative perceptions about a lack of transparency still exist amongst front line officers, some non-executive members, parish council representatives and the local media. The Council's regular communication of decisions in the form of press releases is not matched by clear communication about how decisions are actually reached, or the basis for them. Failure to do this renders the Council unable to influence the negative reporting by the main local newspaper about its decision-making.

- 76 Policy development is not robust. Officers still lead on policy formation and councillors have only limited constructive engagement in developing policy. This aspect of Scrutiny is underdeveloped and the role and involvement of the Advisory Groups is inconsistent and sometimes unclear. They contain a wealth of councillor expertise and experience but the Council does not use them consistently in policy development and other roles. Arrangements for developing and reviewing policy by Cabinet members vary from portfolio to portfolio. At the time of the inspection some portfolio holders had regular meetings to which opposition members were invited, while others did not. Overall the impact is a limited focus on policy development, with some non-executive councillors remote from decision-making, and thus disenfranchised.
- 77 While the modernised structures are not working effectively, the Council's approach is passive and there is little evidence of effective monitoring or of systematic review of their effectiveness. For example some councillors are aware of longstanding weaknesses such as the large numbers of Advisory Groups and the ineffective use of Scrutiny but have not moved to address them. The new SMT has taken steps to instigate a fresh look at how the Council works through a 'State of the Nation' report but this initiative has not yet prospered. Inefficient working and a lack of focus weakens the Council's ability to deal in a timely and robust way with the significant challenges that it faces.
- 78 It is not clear that senior management structures are sufficiently robust to ensure good governance. The structure has been recently reviewed under the Transformation Project and there are only two chief officers comprising the senior management team (SMT). The combination of the roles of Chief Executive and Finance Officer, including section 151 responsibilities, removes the creative tensions between the two roles and thereby reduces the scope for constructive challenge. Additionally, an expectation by councillors that minor queries will be responded to by officers, including the SMT, detracts from a clear focus on priority issues.
- 79 There is an acknowledged lack of strategic capacity amongst managers which impacts on strategy and policy development. The Council does not regularly conduct strategic policy reviews. A wide range of strategies and plans is in place, but many date from 2003/04 and have not been reviewed and refreshed. The aim of restructuring the second tier of management as part of the Transformation Project is designed to refocus the posts and increase strategic capacity, as well as streamlining management and producing financial savings. But without detailed plans to show whether there will be sufficient third and fourth tier capacity to provide the necessary professional and technical managerial oversight it is not clear that the refocusing and increase in strategic capacity at the second tier will be successful. Only two senior managers and a lack of strategic capacity means that there are significant short term risks that the Council will not be able to deal with any contingencies that may arise.

- 80 The Council's corporate and service planning processes are neither comprehensive nor consistent. The Council has established a timetable for the corporate planning process and has set some clear standards for the development of plans across the services. Priorities cascade through service plans to individual objectives. But the Corporate Plan upon which these are based is out of date and the Best Value Performance Plan does not readily fill the resultant gap. The planning cycle is simplistic and linear and fails to take full account of the range of internal and external factors that should impact on planning timetables. Cross-departmental planning is, with one or two exceptions, unstrategic and the product of ad hoc and informal officer contact. Corporate standards for service planning are not sufficiently rigorous. For example service plans do not have to be SMART². The impact of this is that the corporate planning process does not effectively drive the Council forward towards clear and measurable goals.
- 81 The Council does not make consistent use of management information, user data or needs analysis to plan future service delivery. The Council's management information IT system is not currently functioning. It has no corporate approach to resident surveys in respect of service delivery, nor corporate capacity to undertake these. Some services, such as environmental health, regularly conduct their own user surveys as a means of reviewing and improving service delivery but most other services do not. As a result of delays, mostly beyond the Council's control, Cambridge Direct does not yet use CRM software, which could have been the starting point for establishing an approach to service delivery more closely aligned to resident need. Limitations in the Council's complaint handling processes compound this weakness. All this produces a situation in which service delivery is not consistently responsive to changing resident need across the full range of Council activity.
- 82 The Council's approach to meeting its requirements to make arrangements to secure continuous improvement under the Local Government Act 1999 has weakened since 2003. The initial response to the Act was positive, with a clear forward plan of best value reviews (BVRs) covering a wide range of service activity. But since the last two best value reviews were commissioned in 2002/03, the forward planning process for these has lapsed. The Transformation Project incorporates proposals for BPRs across services but no specific timetable for these efficiency reviews has been set and it is not clear that the BPRs will meet the same objectives as BVRs. The Council is getting diminishing returns from its best value review process.
- 83 The Council does not have a comprehensive and well-managed strategy for cross-departmental working. The consultant's report, upon which the Transformation Project is based, found that the Council worked in operational 'silos'. Despite the establishment of Cambridge Direct the integration between front and back office functions does not work well and other cross departmental teams such as the Growth Area Project Board have not had sufficient officer support. Cross departmental working is not sufficiently effective and is largely unplanned.

² Specific, Measurable, Achievable, Realistic, Timed

- 84 The absence of cross-departmental working has a negative impact on partnership working. The lack of clear direction and support on cross-cutting areas makes it difficult for officers to speak with authority and to take a consistent line with partners. Overstretched departments, especially in relation to work on the delivery of housing and population growth are struggling to deal with the volume of meetings with partners. Learning and sharing lessons across the Council is neither prioritised nor formalised. There are therefore obvious risks of repeating past mistakes and the Council is failing to make meaningful impact in all of its key external partnerships.
- 85 The Council's Human Resources (HR) function is not sufficiently effective in supporting the Council in the management and development of its workforce or in the delivery of future changes. At the time of the inspection the HR team was under-resourced and there are continuing problems with the key management information ICT system, HR and Payroll, which limit the management information available. The Council does not have a HR strategy that is fit for purpose and integrated with broader plans. The HR Strategy developed at the time of CPA is now out of date, as is the workforce plan. Both have been overtaken by the impact of capping, the growing demands of the growth agenda and the phased implementation of the Transformation Project. Efforts are being made to refresh the workforce plan and HR is now fully integrated into future planning for the Transformation Project, but a number of historical weaknesses persist. For example, there is no monitoring or evaluation of a Council wide training budget of in excess of £250k and no coaching or mentoring plans for delivery across the Council. The risk is that the Council will not achieve the successful implementation of the Transformation Project if the HR service is unable to effectively support the programme.
- 86 The Council is not planning effectively for all of its assets. It does not have a robust plan for securing the capital investment it will need to meet the Decent Homes Standard in its Council-owned housing stock. Its own financial projections and stock condition information show that the Council will not be able to fund the necessary improvements after 2008/09. Despite it having a generally fit for purpose asset management plan (AMP) which is integrated into broader plans and strategies it does not have a comprehensive list of its assets. These are however itemised in the AMP and housing systems.

Prospects for improvement

- 87 We are not confident about the prospects for improvement in the Council's arrangements, structures and processes for democratic accountability, decision-making and planning in the next 12 months.

- 88 The Council is beginning to show some awareness of weaknesses that beset its structures and processes but significant issues remain. Initial steps have been taken in a few areas but in others clear plans are not yet agreed. The new Cabinet is working more co-operatively. Portfolio holders are clearly alive to the lack of strategic fit between corporate priorities, their portfolios and service areas. In the past twelve months there has been some discussion on the future need for Advisory Groups, which culminated in the issue being raised at Cabinet. The appointment of the new Chief Executive has brought a fresher, more vital, approach to longstanding problems. On his initiative the issue of a 'member contract', aimed at modifying councillors expectations of and treatment of officers, has been discussed at Cabinet as part of the State of the Nation report. He has introduced fortnightly informal Cabinet meetings which have already improved the dialogue between SMT and the Cabinet. The gap in strategic capacity at second tier of management has been recognised. The planned process of BPRs, expected to begin in 2007, will fill some of the void left by the abandonment of BVRs.
- 89 The recent positive signs and initiatives do not match the scale of the problems that the Council faces in relation to its structures and processes. For example, the Chief Executive has been unable to influence the Cabinet sufficiently to get agreement on the 'member contract'. While it is being explored there is no certainty that it will be agreed. There is no impetus to ensure Scrutiny is effective in its role after almost five years in existence and there are no plans to update the Constitution or to address inefficient decision-making. The way in which the proposed review of the role of Advisory Groups and potential reduction in meetings was launched in public at Cabinet, with no prior exploration of possible alternatives with non-executive members, typified the way in which the Council has gone about decision-making in the past. Service planning standards have slipped and the Council's approach to securing continuous improvement has weakened as staffing resources have become stretched.
- 90 In summary, Cabinet members have limited understanding of the significant and extensive problems with the Council's processes and structures and how much remedial work needs to be done. There is therefore no confidence in improvements being secured in the next 12 months.

Risk management and internal control

Current arrangements

- 91 The Council's current arrangements for risk management and internal control are fair; delivering only minimum requirements.
- 92 The Council has adequately defined the roles and responsibilities of councillors, chief officers and the section 151 officer in respect of stewardship of the Council's resources. These roles strike an adequate balance between the needs of strategic oversight and day to day accountability. But the recent combination of the Chief Executive and section 151 roles, even though currently appearing to work, goes against CIPFA guidance on good stewardship and is a longer term risk. It may prevent effective and constructive challenge between the section 151 role and the Head of Paid Service.
- 93 The Council maintains a sound system of internal controls for managing its financial resources and has clearly defined annual budgeting processes. Budgeting information is generally sufficient to take account of balances, reserves and contingencies. Financial regulations and strategies are subject to regular review. The Council has adopted the Code of Practice for Treasury Management in the Public Services issued by CIPFA. The Commission's use of resources assessment in 2005/06 found that the Council had adequate arrangements in place to prevent fraud and corruption. However restrictive schemes of delegation under which almost all decisions on expenditure and staff deployment go up the management chain for approval undermine managerial authority. The Audit Panel is ill-equipped, in terms of councillor training or terms of reference to fulfil its responsibilities. Nevertheless, despite some areas for improvement, in general the Council's systems are designed to provide confidence of good monitoring and management of the budget.
- 94 The Council has a good track record of detailed and accurate financial reporting and monitoring. The Commission's 2005/06 Use of Resources assessment rated the Council's financial reporting as performing consistently above minimum requirements. Information on rate of spend is presented to Cabinet on a quarterly basis and other required reporting processes are in place. The Council is responsive to reporting recommendations from the external auditor. Accounts are presented on time and in accordance with statutory guidance. Stakeholders and the public are also given full reports. There are still some weaknesses. Reporting timelines and Council timetables do not always mesh together to allow adequate time for Cabinet members to consider the data provided. There could be fuller commentaries on, for example, the reasons for underspends. And in spite of capping, the Council is continuing a long tradition of underspending. But in general terms, the Cabinet has the necessary reporting mechanisms in place to make sound decisions on resources.

- 95 The Council has a poor track record of planning resources over the medium and long term. The Council has had a MTFs planning process for several years, but in the years in the run up to capping by central government, there were successive failures by Cabinet to act upon the clear internal financial guidance provided to them. The risks being taken in leaving a sizeable gap between council tax receipts and actual spend were ignored, as were warnings from central government about future rules on capping. The MTFs for 2005/06 failed to plan for the possibility of capping until after capping occurred.
- 96 The MTFs itself is not clearly integrated into the Council's wider strategic plans. The only other Council strategy that is explicitly referred to is the capital programme. The Council priorities for 2007/08 will be determined only after the MTFs has been agreed. There are no integrated reporting systems for financial and performance reporting which would enable the Cabinet to more easily take account of performance trends in making decisions about the Council's finances. Quarterly reports on performance and budget are referred to Cabinet as separate items and at different times, and with no cross-referencing between them. The most recent round of resource planning for the growth agenda, the largest growth item in the Council's MTFs, was done on an ad hoc basis by individual service heads at very short notice. Weak linkages lead to a disjointed approach to medium term financial management.
- 97 The MTFs is subject to regular review by both councillors and officers but there is no evidence that these reviews have led to improved service outcomes. Mid year review of the annual budget process is, however, now happening. A recent round of bids for the £170k underspend from 2005/06 is focused on improved service delivery.
- 98 The Council lacks a strong strategic approach to performance management. Some services, such as environmental health, have a strong track record that has been widely recognised. Others, such as revenues and benefits, and ICT, are beginning to develop a robust performance management culture. But others, including finance, are failing to take ownership of the monitoring and management processes on offer to them. As a result performance achievement rests more on the drive and initiative of individual service heads and their teams than any corporate process.

- 99** Performance management systems are inconsistently applied. Some processes are not fully integrated as illustrated by Cabinet reviewing performance and budget information separately. Others are not applied robustly. For example staff appraisal completion rates have improved but the process of managerial feedback is not consistently adhered to. Performance reporting to the public, through the BVPP and website, is adequate. But the system for monitoring, evaluating and acting upon complaints from the public is inadequate at all stages of the process. This means that performance management process is therefore effectively disconnected from residents, and in large part, from the rest of the corporate planning cycle. While the Council monitors and reviews its performance management systems it does not always take action to make improvements. In 2005 the Audit Commission and RSM Robson Rhodes undertook a study on performance management (and prioritisation). This contained a number of recommendations which have not been acted upon. Weaknesses in performance management systems contribute to the Council not securing improved performance across the organisation.
- 100** Performance monitoring and management is not effective. Scrutiny has limited impact on performance monitoring or management. While there is now greater individual ownership of performance indicators (PIs) across the organisation, a sense of corporate responsibility for addressing under performance is lacking. Quarterly reports to Cabinet on PIs have historically tended to be adopted with little discussion, analysis or follow up action. Few councillors and not all officers make good use of the dedicated IT system for performance monitoring (PIMMs).
- 101** There is a mixed track record on target setting. Prior to capping some good progress was made with the identification of over one hundred milestones for the three annual corporate priorities. Targets were also subject, for the first time, to critical review up the management chain, including by portfolio holders. Since capping, however, the approach to target setting has been more limited with milestones reduced in number by three quarters. Service plans are not consistently SMART. Failure to consistently value performance monitoring and management inhibits the capacity of individuals, as well as services, to improve.

- 102** The Council is not managing risk effectively. Its track record of acting upon identified major risks is poor with such risks not being given due weight by councillors in making some decisions. For example the dangers of failing to raise council tax levels to match the underlying spend were identified in risk management reports to the Cabinet as far back as 2004. The Council's systems of risk management are adequate overall although there are some weaknesses. The Council has risk registers and a Risk Management Group which routinely considers strategic, reputational and other risk. Reports on risk management go to Cabinet which clearly identify the ten key corporate risks for the Council. But the meetings of the Risk Management Group are infrequent. Reputational risks to the Council are not sufficiently highlighted. There is no councillor training on risk. The Audit Panel plays no role and the Scrutiny Committee is not clear on the role it should take on monitoring risk management. This means the Council's risk management is weakened by incomplete implementation and a pattern of avoiding difficult decisions, with the result that the risks to the Council and services are sometimes increased.
- 103** The Council does not ensure that projects are properly resourced or managed. The Council has a toolkit for project managers based on PRINCE2 methodology and officers are offered training as appropriate. But the application of the tools and training has been neither consistent nor uniformly successful. The protocols for delegation are restrictive, forcing project managers to refer upwards routine decisions. Project management for the growth area has been weak, with examples of poor planning, weak contractual drafting and negotiation with developers, and delayed or partial execution of the Cambourne development. The Transformation Project did not follow the established Council guidelines for project management in its early stages and has only recently acquired a project manager when some of the changes have already been implemented.
- 104** The Council does not have a good record on delivering projects on time and to specification. Too many smaller scale IT projects, like the HR/payroll system, the complaints system, the desktop accounts system, are not fully delivered because of unresolved resource or capacity problems. The Council thus has a poor reputation internally and externally for delivering on projects.

Prospects for improvement

- 105** We are not confident that the Council's arrangements for risk management and internal control will be sustained or improved over the next 12 months.

- 106** There have been some encouraging developments in the past twelve months, signs of a clear recognition of areas of weakness, and some plans for improvement. The new Chief Executive has recognised the challenges of the medium term financial outlook and has issued a new draft MTFS running up to 2011/12. He has focused minds on the immediate and deepening impact of capping and the impact of the projected expansion of the district's population by 33 per cent over the next ten years. Efforts are underway to improve performance monitoring systems, with new monies earmarked to fund the upgrade of PIMMs. A successful bid to Building Capacity East (BCE) will fund leadership training and mentoring for councillors and senior officers alike, as well as the appointment for one year of the Change Manager. The arrival of a Transformation Project manager in September has injected much needed rigour into that project. There are clear signs of a growth of an embedded performance management culture into several service areas. The first of four phases of the introduction of CRM software into Cambridge Direct, which is happening now, will generate much useful data on residents' needs and views. Most Cabinet members now accept that the failure to heed the warnings about not raising council tax led directly to the Council being capped.
- 107** Despite all these positive developments, the future outlook for risk management and internal control is uncertain. The Council has yet to determine how it will deal with the impact of capping, which is now being felt across the Council. The impact of both BPR and reorganisation may further dilute the Council's already overstretched workforce and have more of a negative than positive impact on morale in the short term. Up to date staff survey findings show a reduction in the percentage of staff who consider that a clear vision for the future of the Council is being communicated and who have confidence that the management team value what staff do, or in their wellbeing. Apart from the possible impact of low staff morale on delivering improvements in the area of internal control, the impact of resource constraints can already be seen in some aspects such as reducing the number of targets that are being monitored. This is at a time when service performance compared to other councils has worsened since CPA. In 2004/05 service performance as measured by PIs in the best quartile was worse than other district councils categorised in CPA as fair, weak or poor. The number of BVPIs that are improving is reducing. There can be no certainty that BPRs will produce sufficient efficiencies and savings to both reduce the Council's spend on services and deliver capacity for improvements.
- 108** In summary, while there are encouraging developments in the area of internal control and risk management, resource constraints and low staff morale means we cannot be confident that the Council will improve in this area.

Leadership, culture and standards of conduct

Current arrangements

- 109** The Council's current arrangements for leadership, culture and standards of conduct are poor: not delivering minimum requirements.
- 110** Political leadership is poor. The Cabinet collectively is not providing corporate and strategic leadership, and clear direction and focus are absent. For example there is no vision or policy statement about what the administration aims to achieve. The ability to take politically difficult or contentious decisions is unproven. The track record so far is one of not facing up to issues for which there is no consensus and of a lack of focus on important issues. For example, the State of the Nation report by the Chief Executive raising significant concerns about the current state of the Council led to little discussion in Cabinet until there was disagreement about the 'member contract' that was proposed, at which point a decision on this was deferred. The lack of strong political leadership means that efforts to tackle the serious problems the Council is facing are effectively being led by officers, while the majority of political activity is unfocused and largely unproductive.
- 111** The Cabinet and some non-executive councillors do not value clear strong political leadership and resist it. The Council has a history of a consensual approach to governing within a context of no party or group having an overall majority, and of shifting balances of power as a result of the annual election cycle. In 2005/06 a leader with a more direct style was viewed positively externally as providing much needed stronger leadership and direction but internally conflict and personal antagonisms increased. Resistance to strong leadership and direction means that everything is negotiated and therefore unpredictable, with little certainty about what will be agreed.
- 112** Community leadership is poor. Until 2002 the Council faced relatively few major challenges and, with substantial reserves and few social problems, was not faced with needing to make difficult or unpopular decisions. The major challenges of housing growth and travellers, where the Council has had to reach a corporate position, have tested the leadership capacity in the Council. Partners and stakeholders perceive them as having been slow to rise to these challenges. Other difficult and unpopular decisions about the closure of a country park to make savings and the possible transfer of the Council's housing stock to a housing association have been avoided. The risk is that avoidance of these difficult decisions increases pressure on the Council's finances in the medium term.

- 113** Councillors are not fully aware of or equipped for their roles and responsibilities. The Council's approach to councillor training and development is not comprehensive or systematic. Good quality induction and training was provided for new councillors in 2004 and 2005, but was less well attended in 2005. Attendance rates for training are not high with only 47 per cent of councillors attending recent events. There is no specific training on risk management for councillors, or for members of the Audit Panel to equip them for their particular responsibilities. Training on the Code of Conduct has not yet taken place due to disagreements amongst councillors about how it should be provided. Lack of training for councillors reduces their capacity to contribute effectively and can result in poor decision-making through lack of clarity and understanding.
- 114** The conduct of the Council's business by means of an administration and opposition is not yet effective. The arrangements to support working in this way are weak although there are some signs of more constructive approaches emerging. There is no recognition of a formal opposition within the Constitution and efforts to address this in a recent review have been resisted by the administration. More positively shadowing of portfolios by Scrutiny members is developing and the Chief Executive is offering briefings to the opposition as well as to the Cabinet. There is a growing perception by staff and some partners that the Cabinet is working more co-operatively although this has not yet translated into working corporately to provide leadership. The immaturity of working with an administration and opposition means it is not resulting in Council decisions and policy developments benefiting from systematic, constructive, challenge and scrutiny.
- 115** The culture of the Council is poor. There is a lack of mutual respect and an absence of constructive working relationships amongst some of the most senior councillors. These negative relationships are a distraction from the very serious issues facing the Council and a focus on services and the community. Another distraction is the poor conduct of certain councillors, for example abusing colleagues verbally. Some councillors feel bullied by their peers. Poor behaviour is having a disproportionate effect with negative press coverage and an impact on the Council's reputation with partners, and on staff morale. Councillors are not leading by example, fail to maintain high standards of conduct and are potentially bringing the Council into disrepute.
- 116** There is a lack of mutual respect and constructive engagement between staff and councillors that contributes to the negative culture. Councillors persist in expecting senior managers to respond quickly to minor queries at the expense of time spent on strategic and policy work. The number of Advisory Groups and Council meetings which are minuted in great detail adds to the burden on officers particularly at a time of reduced resources and significant budget reductions. The nature of the working relationships affects staff morale and diverts resources from priority areas of work.

- 117** Until recently neither political nor managerial leaders of the Council have sought to positively shape the culture of the organisation. There is no agreed statement of values that is clearly communicated to staff and councillors and against which people can be held to account. The deferral of proposals to tackle some aspects of the culture for a 'member contract' work against the development of mutual respect.
- 118** The Cabinet is failing to tackle the culture of disrespect amongst councillors. The requisite governance arrangements to support the achievement of good standards of conduct are in place. The Council's Standards Committee is independently chaired and is pro-active, and a councillor Code of Conduct is in place and has been displayed around the Council building. But incidents of poor behaviour, including verbal abuse, are not always immediately challenged by senior councillors. The Council has not made available training on ethical conduct, and although training on the Code of Conduct is now being planned this is being resisted by some senior councillors. Attempts have been made by a minority of councillors to undermine the Standards Committee by challenging the recent appointments of three new independent members and by appointing a councillor to the Committee against whom a complaint had been upheld by the Standards Board for England. In addition, the lack of a Cabinet lead on ethical governance and a history of resistance to the Monitoring Officer role by councillors all serve to undermine any reinforcement of good standards of conduct. The Council is not effectively promoting the high ethical standards that are to be expected of those holding public office which impacts on staff, public and other stakeholders' confidence.
- 119** Senior managerial leadership has improved since the new SMT was established in July 2006, but it is not having sufficient impact. The new Chief Executive is providing better leadership and the two-person SMT has set out to deal with a legacy of drift at the top of the organisation and to address some acknowledged long-standing organisational problems. These include a lack of managerial capacity for strategic work, silo working and poor internal communication with staff, as well as changing the way councillors relate to staff. But to date there is little evidence of impact. Councillor expectations of staff have not modified. Plans to increase strategic managerial capacity are being implemented through re-structuring but are insufficiently detailed for there to be confidence in their success. Meanwhile partners generally perceive senior managers to be inwardly focused and not providing clear and effective leadership in strategic partnerships. The findings of a recent staff survey are that internal communications has improved but confidence in senior management has declined. While some staff experience the SMT as providing a greater sense of leadership, others remain sceptical.

- 120** Management capacity is not well utilised. Managers are generally committed, knowledgeable, and professional. But the Council's chief officers are overly occupied on a daily basis with dealing with immediate issues at the expense of strategic planning and leadership. While strategic capacity is lacking at the second tier, management development training has not been available. Limited delegation to managers prevents flexibility in ways of working. This means the Council does not have the managerial skills and capacity it needs but at the same time is failing to provide managers with opportunities to develop and contribute to better ways of working.

Prospects for improvement

- 121** We are not confident about the prospects for improvement in the Council's arrangements for leadership, culture and standards of conduct over the next 12 months.
- 122** The track record of political leaders in the Council in successfully responding to change and recent challenges is mixed. Having failed to plan the Council's finances effectively in recent years councillors faced up to the crisis that resulted and delivered budget reductions of £2.6 million. After a slow start in each case, the Council is now responding to the needs of its traveller and settled communities, and to the growth agenda. But successive Cabinets have failed to make progress with how the Council will meet the Decent Homes Standard which potentially further threatens the financial stability of the Council, and have also failed to tackle the negative culture of the Council. Additionally there is no evidence of attempts to learn from other councils, for example in relation to making Scrutiny more effective or working with an opposition. This track record undermines confidence in the ability of councillors to lead the Council through the substantial difficulties that it is facing.
- 123** Managerial leadership, whilst stronger since June 2006, has so far had little impact on the cultural and organisational issues that are impeding the Council's work.
- 124** Self awareness amongst senior councillors is limited. There is an acknowledgement by Cabinet of the poor conduct of some councillors but little awareness that they have a part to play in tackling it. Collectively they express helplessness about the incidents of bad behaviour and provide insufficient reinforcement of the Monitoring Officer and Standards Committee roles. There is an acceptance of the SMT's analysis of the Council's problems in councillor-officer relations, but no urgency to address them and behaviour towards officers has not changed. Without this the culture of the Council, the morale of staff, the ability to prioritise and focus on the most important aspects of the Council's business and the capacity to deliver improvements will not improve.

- 125 There are no comprehensive, clear, resourced strategies or plans to address all the issues the Council faces in this area. The Transformation Project which aims to tackle some of the problems is going ahead but plans lack detail, and the capacity to fully deliver it is not secure. There are no robust plans to address the conduct issues apart from training on the Code of Conduct, or the issues of councillor/officer relationships. The proposed 'member contract' has been referred for consultation and there is no certainty that it will be agreed and implemented within the next 12 months. Resources are available to deliver leadership training and mentoring for senior councillors but we cannot be confident that this will be fully effective given the current lack of self awareness that exists.
- 126 In summary, while the Cabinet acknowledges the need for change in the way the Council works this is not leading to concerted positive action or clear leadership to address the problems. SMT is taking steps to tackle some of the organisational issues but as yet has had little impact. Comprehensive detailed plans are absent and capacity is not assured. Given the scale of the issues we can not be confident that improvements will be delivered in the next 12 months.