

Agenda Item	
Report No	

Best Value Audit Regime
Report by the Chief Executive

Summary

This report seeks to conclude the improvement activity from the first audit of Best Value and Community Planning from 2006. It summarises the proposals for the second phase of Best Value audits (BV2) which are currently out for consultation. As part of the development of BV2, Highland Council is to be a pathfinder in 2009. Further information will be presented to members on the scope and implications of the pathfinder when it is available. The BV2 approach introduces change not only for the Council in how it understands and demonstrates its performance to the public; but it also introduces change for regulators by co-ordinating and targeting their activity annually and reducing the scale of their audit and inspection activity where Councils perform well.

1. Introduction

1.1 Councils have a statutory duty¹ to deliver best value and continuous improvement. New audits of Best Value and Community Planning were introduced in 2004 and all Councils have had their audits reported. [Highland Council's audit report](#) was produced in 2006. There have been two subsequent reports to Council highlighting progress with improvement actions; the last [report](#) was in October 2008. The Accounts Commission is now consulting on the new approach for the next phase of Best Value audits (BV2) for Scottish Councils. Highland Council is to be one of five pathfinder authorities for the new style audit in 2009.

2. Concluding the BV1 audit of Highland Council

2.1 In the report to Council in October 2008, nine improvement actions were still being progressed. An up-date of progress against each of these is shown in Annex A. All actions are either completed, due to complete in 2009 or progressing. Consequently the improvement plan following the BV1 audit will be concluded in full in 2009.

3. Consultation on BV2

3.1 The Accounts Commission issued its [consultation document](#) on 31st March 2009. A summary of the document is appended. Feedback is sought on 19 consultation questions although general feedback will be considered as well. Responses to the consultation are due by 31st May 2009. A response is being co-ordinated.

3.2 The purpose of the BV2 audit is to:

“...offer clear and impartial information to local people on how their Council is being run, how good its services are and whether it is using public money well.”

(Page 6 of the consultation proposals).

3.3 Key audit proposals to highlight are listed below.

¹ Local Government (Scotland) Act 2003

1. A stronger focus on how Councils use their resources, especially given the impact of the recession on public spending, as part of the corporate assessment.
2. A fit with the Concordat and Single Outcome Agreement, thus a focus on outcomes, the effectiveness of partnership working and the Council's community leadership role.
3. A streamlined annual approach to audit, with regulators² co-ordinating their information about a Council's performance to identify how to focus audit activity on higher risk areas. This would produce an annual scrutiny plan for each Council for all audit activity. The scrutiny plan would also take into account national priorities and risks, performance against Single Outcome Agreements and Council self-evaluation. This is described as Scrutiny Risk Assessment (SRA).
4. An expectation of better internal scrutiny of Council performance, using self-evaluation³. Views of local people and service users will form an integral part of self-evaluation. The evaluation needs to be robust and evidenced with the BV2 audit considering the range and quality of information used to measure performance, outcomes and improvement.
5. Formally introducing peer involvement with other public bodies (officers and members) contributing to the review of performance.
6. For reporting on BV2, it is not proposed to introduce a single score for Councils but instead to provide judgements on the direction and pace of change and on the capacity for future improvement. How these judgements would be reported is still to be considered and tested through the pathfinder audits.

Some of these features are considered more fully below.

- 3.4 The framework proposed for Best Value audits include a corporate assessment, covering six characteristics of a BV Council, as listed at the end of Annex B (appendix 1) along with a view on the extent to which Councils are achieving sustainability and equalities⁴. It will also include service performance. However the scale and depth of the external audit activity would depend on current levels of performance, with audit activity focused on areas of weakness.
- 3.5 The BV2 approach proposed should lead to a reduction in overall scrutiny for good performers. This approach is to be welcomed given the scale of external audits and inspections with over 112 separate audits and inspections identified for the Council in 2009-10 so far. The BV2 regime therefore brings changes to the way in which regulators operate as well as the way in which Councils understand and demonstrate their performance. This is in accordance with the Crerar Review: An Independent Review of Regulation, Audit, Inspection and Complaints Handling of

² The regulators listed in the guidance are HMIE, SWIA, the Care Commission, the Scottish Housing Regulator, NHS QIS and HMICS.

³ Self-evaluation differs slightly from self-assessment in that, in addition to measuring performance and outcomes, it is concerned with the quality and effectiveness of processes and the stake holder's experience.

⁴ Two separate [documents](#) have been produced to describe the audit frameworks for sustainability and equalities.

Public Services in Scotland⁵.

- 3.6 It is clear that to reduce external scrutiny, there needs to be better internal scrutiny of Council performance. Self-evaluation is the key to this process. While no particular model of self-evaluation will be advocated by the Accounts Commission or auditors, the process should adhere to the following high level principles for self-evaluation⁶:

That self-evaluation should:

Culture

- be embedded in the culture of the organisation
- be a continuous, systematic process as opposed to an event

Design

- be focussed on outcomes for and the experiences of service users/ citizens
- support the achievement of organisational or partnership objectives
- be 'owned' by those carrying out the self-evaluation
- lead to targeted action, improvement and future planning
- be flexible and have the scope to recognise differences in service levels and types
- be built on existing good practice and relevant existing standards
- be rigorous, comprehensive, systematic and transparent
- be based on a wide range of evidence

Accountability

- dovetail with the essential functions of external scrutiny bodies to ensure that those who need less scrutiny get less scrutiny
- be integrated with, and form part of, the organisational or partnership performance management and public reporting arrangements

Process

- be participative
- be focused on identifying strengths and weaknesses or areas for improvement
- involve a wide range of stakeholders
- be recorded and reported

- 3.6 The Council, along with most other local authorities in Scotland is developing its approach to using the Public Service Improvement Framework (PSIF) as a means of self-evaluation. These principles fit well with the proper use of the PSIF. Further information will be brought to members on this framework.

- 3.7 The consultation is focused on the approach to BV2. The approach seems reasonable particularly in terms of improving the co-ordination of external scrutiny and reducing it where the Council can demonstrate good performance. However, it is too early to assess the audit process proposed until it has been tested. The detail

⁵ Further information on the Crerar Review and the Government's response to it can be accessed at <http://www.scotland.gov.uk/Topics/Government/PublicServiceReform/IndependentReviewofReg/latest-news/TheCrerarReview>

⁶ The principles of self-evaluation are drawn from the report of the Government's Reducing the Burden Action Group set up as one of five working groups to consider the implementation of some of the recommendations from the Crerar Review.

of how the BV2 process would work and any change that it would bring in terms of external regulation are to be developed through five BV2 pathfinder audits in 2009. Highland Council is to be one pathfinder, along with the Councils for Angus, Dundee City, East Ayrshire and Scottish Borders. At the time of writing the scope of the Council's pathfinder audit is still to be determined, but a verbal up-date may be available for the Council meeting, following a meeting with auditors on 30th April 2009.

4. Resource implications

4.1 At this time there are resource implications arising from self-evaluation and the implementation of the Public Service Improvement Framework. These costs relate to training costs for staff to be accredited to use the framework, amounting to around £14,000 every two years. This can be met from a budget in the Chief Executive's Service. Other costs may arise in the process of self-evaluation to ensure the Council has good evidence of its performance, including how the views of customers and communities are gathered and taken into account. Over time, if the BV2 approach develops there should be less regulation on Council services, with potential for saving in staff time; although it is difficult to quantify cost savings given the need to improve internal scrutiny. There may be costs involved if Highland Council officers and members be invited to take part in peer reviewing other Councils, although it is too early to identify these, or to report on how this process would be co-ordinated and supported.

5. Recommendation

5.1 Members are asked to note that most of the actions in the improvement plan following the BV1 audit have already concluded, with the few remaining scheduled to complete in 2009.

5.2 Members are asked to note the consultation proposals for BV2 and that the Council is to be one of five pathfinder audits in 2009.

Signature:

Designation: Chief Executive

Author: Carron McDiarmid, Head of Policy and Performance, Tel. (01463) 702852

Date: 21.4.09

Progress with the outstanding improvement actions from the BV1 audit

1. Developing electronic and web-based performance monitoring systems to be developed

To complete in 2009-10

The original timescale of 2007-8 has slipped; although work was done during that period to specify the system required. Approval to proceed to tender for a system was awarded in April 2009 at Digital Highland Programme Board. The Invitation to tender will be 13.5.09 with the selection of preferred supplier on 14.7.09. Implementation will be in 2009-10.

2. Member training

Systems established and progressing

The outline training programme and Personal Development Plan and Training Record for members was approved by Resources Committee on 3rd December 2008. Role Descriptions were approved at full Council on 5th March 2009. Members are now completing their Personal Development Plans with advice from the Employee Development Manager and the results will be used to add to and revise the existing training programme. An Elected Members' Continuous Professional Development site has been set up on the Council's intranet <http://ntintra1/tdtintra/2008-memb-cpd/2008-memb-cpd-main-page.htm> and members will also be given access to e-Learning which includes ICT, Business Essentials, Legislation and Equal Opportunities and Health and Safety.

3. Implementing the workforce management plan, equalities schemes and carbon management plan

All ongoing activities and progressing

Workforce management plan: a revised Workforce Management Plan (2008-11) was approved at Resources Committee on 20th August 2008 [res-94-08](#). It noted the achievement of 26 objectives from the previous Workforce Management Action Plan and actions are progressing in the new plan.

Equalities schemes: progress with Equalities Schemes is reported every six months to resources Committee (gender, disability and race). The next report is due in June 2009.

Carbon management: the Carbon Management Plan has been re-focused to enable targets to be set in line with the requirements of Scotland's Climate Change Bill and improvements in our base-line data for carbon emissions. It covers emissions from Council buildings, Council houses, street lighting, business travel, fleet, internal waste and water consumption. The up-dated plan was agreed of the Council's Climate Change Working Group in April 2009, with the fully costed plan to be considered at Resources Committee. The Council has attained Carbon Standard accreditation, one of only three Councils in Scotland, acknowledging the work done to understand and reduce our carbon emissions.

4. Providing more performance information at a ward level and through ward forums

Ongoing and progressing

A detailed Ward Reporting template for reporting by all Services at Ward level is in use. This will be linked to the Council's web site when the e-performance system is live. It is currently available on the Council's intranet.

5. The implementation of the Council's payroll and personnel project to provide staff profile information

Ongoing and progressing

The Payroll and Personnel Project is with the Payroll aspects of the project fully functioning and with further work to provide full functionality in relation to the Personnel system progressing through the HR Project of the Corporate Improvement Programme.

6. Reviewing the complaints process

Completed

A [review](#) of the complaints procedure has taken place and was presented to members at the Audit and Scrutiny Committee on the 16th April 2009. The procedure will continue to be reviewed annually in order to take account of national changes and internal development such as the review of the Council's CRM system

7. Developing the customer care strategy and meeting targets in the Customer First programme

Completed

The Council's [Customer Services Strategy](#) was approved at Resources Committee on 15th April 2009. Between 1st April 2008 and 31st March 2009 the Council currently delivered 90% of services requested via the customer service network at first point of contact, exceeding the customer first target of 75%. The Council is developing a Customer First strategy to complement the customer services strategy and this will be finalised by June 2009. In 2008 the Council achieved the national Charter Mark award.

8. Reviewing Service Level Agreements with the Council's Statutory Trading Organisations

Will complete in 2009

Service level agreements have been reviewed. The Services concerned are now working towards the current audit action plan of review and testing competitiveness by October 2009.

9. Reducing the number of SPIs in the bottom quartile of Council performance and reducing the number of SPIs which are worsening.

This action is progressing

A report comparing The Highland Council's 2007/08 SPI performance with other Councils was [reported](#) to The Highland Council on 5 March 2009. This report

also included an analysis of Highland Council's SPIs performance comparing 2007/08 to 2005/06. For 2007/08, the Council was ranked in the top quartile for 12 SPIs and 20 in the bottom quartile.. 2006/07 performance was 13 and 14 SPIs, respectively. The Council's performance improved by 5% or more on 27 SPIs and worsened by 5% or more on 23 SPIs. The national position was 29 and 17, respectively.

Directors are aware of the need for achieving continuous improvement in service delivery, including those SPIs that show report improvement. Governance arrangements include reporting to Service Committees and meeting with the Chief Executive on a quarterly basis.

The Highland Council is taking proactive steps to procure and implement a new Performance Management System during 2009 with the intention that this system will also serve as the Council's Risk Management System.

The introduction of the Single Outcome Agreement and the ongoing Crerar Review has influenced the reduction in SPIs from April 2009. It is also clear that Councils require to understand their performance better from a cost perspective and demonstrate publicly that they are securing Best Value.

Best Value 2: Proposals for consultation

Summary document

Prepared by Audit Scotland

March 2009

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £19 billion of public funds a year.

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

If you require this publication in an alternative format please contact us to discuss your needs.

You can also download this document at:

www.audit-scotland.gov.uk

Accounts Commission, 110 George Street, Edinburgh EH2 4LH

T: 0845 146 1010 F: 0845 146 1009

www.audit-scotland.gov.uk

ISBN 978 1 906752 40 8

Summary

This document summarises the consultation paper that sets out how the Accounts Commission proposes to approach the second phase of Best Value audits, BV2.

The consultation provides an opportunity for Scotland's local authorities and other interested parties to influence how BV2 develops. The consultation closes on 31 May 2009.

This summary sets out:

- the background to Best Value
- an overview and key aspects of BV2
- how to respond to the consultation proposals.

About us

Our role is to:

- examine how Scotland's 32 councils and 34 joint boards manage their finances
- help these bodies manage their resources efficiently and effectively
- promote Best Value
- requires councils to publish information every year about how they perform.

Audit Scotland provides the services we require to carry out our role.

1. The background to Best Value

Local authorities have a legal duty under the Local Government in Scotland Act 2003 to continually improve the services they provide.

In 2004, we began a programme of in-depth audits of Best Value. The Best Value audit process offers clear and impartial information to local people, local authorities and policy makers throughout Scotland on:

- how well councils are run
- how good their services are
- whether they are using public money well.

There is also scope to hold public hearings when the audit identifies issues of significant concern.

The first round of Best Value audits has been a powerful force for improved performance and accountability in local government, identifying good practice and also highlighting unsatisfactory performance.

BV1 is now complete, and its findings have helped us to decide the scope and approach for BV2 audits. BV2 also takes account of wider changes in local government in Scotland between 2003 and 2009, such as new relationships between national government and local authorities, and the increased focus on outcomes and the views of citizens and service users arising from the Crerar scrutiny review.

Although Best Value is about much more than financial efficiency, this remains a fundamental element. BV2 will focus on local authorities' performance in providing high-quality services while delivering value for money.

We have worked closely with our local government scrutiny partners to develop BV2: HM Inspectorate of Education (HMIE), the Social Work Inspection Agency (SWIA), the Scottish Housing Regulator (SHR), the Care Commission, and HM Inspectorate of Constabulary for Scotland (HMICS).

2. BV2: the second phase of Best Value audits

An overview of BV2

The BV2 audit process will continue to:

- ensure local authorities are publicly accountable
- support improvement in local services: that is, help local authorities to improve the services they provide.

It will provide assurance that councils are using public money efficiently and effectively, and that they are driving continuous improvement. It will be informed by the issues that matter most to local communities, such as:

- the quality of local services
- how safe people feel
- what support is available for vulnerable people such as homeless people and older people
- the quality of the local environment.

The audit framework for BV2 will consist of a corporate assessment and performance assessment.

The proposed characteristics we would look for in a council during a BV2 corporate assessment can be found at: www.audit-scotland.gov.uk. They are summarised at Appendix 1 of this document. The corporate assessment will also examine councils' approach to sustainability and equalities issues.

The performance assessment will report on how successful the council has been in meeting its local improvement targets and national and local outcomes as set out in its Single Outcome Agreement (SOA). It will also report on the quality and efficiency of local services, how quickly they are improving and whether they are responsive to local needs.

What are the key aspects of BV2?

The following points are linked to a series of questions to which we are inviting responses in a separate consultation paper available at: www.audit-scotland.gov.uk

BV2 will be more proportionate and risk-based

The size and focus of audit in each council will vary to reflect the council's performance. We will place a much stronger emphasis on the range and quality of information that councils provide about how they are performing and improving. This information will help us to assess the scope of BV2 audit required for each council. We will use SOA data to inform our risk assessments.

We will issue guidance about the scope and coverage of self-evaluation, but we will not require a particular self-evaluation methodology or template.

BV2 will be the focus for more streamlined scrutiny

The BV2 audit process will be founded on shared-risk assessments undertaken with the other local government scrutiny bodies and updated annually. These will form the basis for decisions about what scrutiny is required in each council and how it will be carried out. We will also develop a single corporate assessment that will be used by all the

local government scrutiny bodies and carried out in an integrated way.

BV2 will introduce clearer judgements of council performance

We are proposing two new judgements of the council's overall performance:

- Direction and pace of change judgement, which will report on the council's record in improving the services it provides.
- Capacity for future improvement judgement, which will assess the council's prospects of further improvement.
- Councils' self-awareness, as reflected in local self-evaluation activity, will be an important factor influencing these judgements.

We believe that these new judgements will provide a clear signal to the public about the performance of their local council and will also help those responsible for services to track improvement over time.

BV2 will include a clearer assessment of how council services perform

We will draw on a broader range of performance information and work closely with other scrutiny bodies to integrate their judgements, to provide a clearer picture of how council services perform.

BV2 will have a stronger focus on partnership working

The audit will assess how effectively councils are working with other partner organisations, such as police and fire and rescue services, the NHS and the voluntary sector. Our longer-term aim is to review how well public bodies work together in local areas to deliver high-quality outcomes and services for local people while using public money as effectively as possible.

BV2 will listen more closely to what local people have to say

BV2 will have a stronger focus on the way the local authorities assess and respond to the views of the people who use their services, and of local citizens generally. The priorities of local people will be an important element of BV2 risk assessments.

BV2 will involve senior officers and elected members (from other bodies) in audit teams

We will introduce arrangements for involving peers in audit teams carrying out corporate assessments of local authorities. The presence of officers and members will complement the expertise within Best Value teams and provide opportunities for learning that will benefit local government.

BV2 will provide greater support for improvement

We plan to strengthen the support we can provide for improvement by providing more and better access to guidance and examples of good practice.

3. How to respond to the consultation proposals

The full consultation paper is available at www.audit-scotland.gov.uk

If you have any enquiries, please contact us by:

- email at BV2@audit-scotland.gov.uk
- telephone: 0131 625 1861

- fax: 0845 146 1009

You can respond to the consultation:

- using the response form in Appendix 2 of the consultation paper
- online using the electronic response form at www.audit-scotland.gov.uk
- by sending comments, clearly headed 'BV2 consultation', by post to: Ian Metcalfe, Freepost, RLXZ-UJTY-HCAU, Audit Scotland, 18 George Street, Edinburgh, EH2 2QU
- by email, clearly headed 'BV2 consultation' to BV2@audit-scotland.gov.uk

Consultation on BV2 closes on 31 May 2009.

¹ National Performance Framework, national outcome 15.

Appendix 1

A summary of the proposed corporate characteristics of a Best Value council

Vision and strategic direction

The council has a clear and ambitious vision for what it wants to achieve for its locality and communities to secure high-quality services and effective outcomes for local people. The vision is effectively promoted by the member and officer leadership of the council, and supported by staff and partners. It is backed up by clear plans and strategies to secure improvement, with resources aligned to support their delivery.

Vision and strategic direction¹

Leadership and culture²

Planning and resource alignment³

Partnership working and community leadership⁴

The council works effectively through partnerships at all levels. This includes both mandatory partnerships (for example, Community Planning, Regional Transport Partnership, Community Health Partnership, Criminal Justice Authority) and partnerships where there are communities of interest (for example, older people, gypsy/travellers), including collaborative working, networks and partnerships at regional or sub regional level.

It identifies partners with whom it can deliver sustained improvements in outcomes for citizens, and founds its partnership working on effective consultation and analysis of need. Programmes and projects are visible and relevant to local communities and innovation is encouraged. Clear objectives are set for all partnership activity. Activities and tasks carried out in partnership are subject to the council's performance management framework and carry the same burden of accountability as activities carried out solely by the council.

Right partners, right relationship

Effective leadership

Good governance, demonstrable outcomes

Community engagement⁵

The council understands the needs of its different communities and involves them in developing a local vision, setting priorities and shaping services. It has clear strategies for consultation, representation and participation, which reflect the national standards for community engagement⁶, and it can demonstrate that its community engagement activity is securing improved outcomes for local people.

Commitment and dialogue

Involvement and support

Impact and change

Governance and accountability⁷

The council is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers. There are effective scrutiny arrangements and the council is committed to effective public performance reporting as a key element of effective public accountability. It clearly sets out service standards that reflect the needs of local people and other stakeholders and is balanced in its presentation of the council's strengths, weaknesses and challenges for the future.

Governance and accountability (structure and policies, roles and relationships)

Scrutiny and challenge

Public performance reporting (balanced reporting, information that's useful to citizens)

Performance management and improvement

The council has a performance management culture that is embedded throughout the organisation. The council's performance management framework is comprehensive and integrated with service planning and delivery. Staff have a customer-first culture. The council is able to demonstrate significantly improved outcomes for citizens and more effective and efficient services as a consequence of its performance management arrangements.

Customer focus and responsiveness

Performance management

Efficiency

Competitiveness

Risk management

Use of resources⁸

The council is making the best use of use of its key resources (people, money, assets, staff) to deliver the council's strategic objectives.

Financial management

Asset management

Managing people

Procurement

ICT

Notes:

- 1 Best Value Guidance areas: Commitment and Leadership
- 2 Best Value Guidance areas: Commitment and Leadership and Responsiveness and Consultation
- 3 Best Value Guidance: Sound Governance at Strategic, Financial and Operational Level
- 4 Best Value Guidance: Joint Working, and Responsiveness and Consultation
- 5 Best Value Guidance: Responsiveness and Consultation
- 6 National Standards for Community Engagement. Communities Scotland. 2005
- 7 Best Value Guidance: Commitment and Leadership, and Accountability
- 8 Best Value Guidance: Sound Management of Resources