

Report

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Report to: **Performance and Review Scrutiny Forum**
Date of Meeting: **8 December 2009**
Report by: **Executive Director (Finance and Information Technology Resources)**

Subject: **Best Value 2 Consultation Analysis and Proposed Accounts Commission responses – August 2009**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide the Performance and Review Scrutiny Forum with summary information from the Accounts Commission publication relating to responses received to its consultation on BV2

2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

- (1) that the summary information on consultation responses, and the Accounts Commission proposals to date be noted; and
- (2) that a further report be presented when the Commission publish results from work on pathfinder audits, which will provide clarity around a number of the points raised within the consultation.

3. Background

- 3.1. At its meeting of 30 June 2009 the Forum considered the Council's response to the Accounts Commission's consultation on BV2. The consultation invited comment on a number of areas, all of which were in principle linked to the proposed model for shared risk assessment and joint scrutiny planning.
- 3.2. The Commission have now collated the results from consultation responses as well as feedback from meetings with Council Leaders, Chief Executives and other parties.
- 3.3. The Commission note that whilst it is able to respond to many of the points raised, there are a number of decisions which cannot be made until BV2 pathfinders have concluded and been evaluated.
- 3.4. A total of 51 responses to the consultation were received, with 29 being from councils. Consultation events were held for Leaders and Chief Executives, and the Commission also held meetings with Cosla, Solace, Consumer Focus Scotland and the Scottish Government.
- 3.5. This report to the Forum includes summary information from the Commission's analysis of responses received.

4. Consultation response details

- 4.1. The Commission note that there was broad support for the overall direction of travel set out in the initial proposals, i.e.
- ambition to deliver streamlined scrutiny through shared risk assessments with scrutiny partners
 - conclusion that self evaluation and improvement support should feature more strongly in the audit
 - proposed introduction of peer involvement
 - stronger focus on services and outcomes, and on partnership working
 - stronger voice for citizens and service users
- 4.2. Councils made it clear that careful consideration would require to be given by auditors to the impact of the recession, and the Commission acknowledge this.
- 4.3. Appendix 1 shows this information against specific questions asked in the original consultation document and also notes the response submitted by South Lanarkshire Council.

5. Next Steps

- 5.1. The Commission confirms in its report that feedback to the consultation will be used to inform pathfinder audits, and the further development of its approach to BV2.
- 5.2. Areas of work which it will consider further include:
- Peer involvement – working with Cosla and Improvement Service to ensure appropriate support provided to pathfinder peers.
 - Shared risk assessment and joint scrutiny planning – communication events planned for later this year to advise on lessons learned from SRA development process at Fife and West Dunbartonshire, as well as five pathfinders.
 - Improvement Support and good practice – working towards a Memorandum of Understanding with the Improvement Service to address issues raised in the consultation.
 - Citizen-focused audit – work with Consumer Focus Scotland to consider options for involving and taking account of views of citizens and service users.
 - New audit judgements - engage with Cosla, Solace and Scottish Government in developing judgements for 'direction and pace of change' and 'capacity for future improvement', including evidence requirements.
 - Sustainability – continue to work with Sustainable Development Commission and Sustainable Scotland Network to refine approach to auditing sustainability.
 - Equalities – continue to work with Equality and Human Rights Commission on approach to assessing equality.
- 5.3. Finally, after BV2 Pathfinder audits have been evaluated, the Commission will publish its proposed approach to rolling out BV2 in early 2010.
- 5.4. From a South Lanarkshire Council perspective there is ongoing commitment to meeting Best Value requirements and demonstrating continuous improvement. Officers and members have already been advised of proposed arrangements for BV2, including new joint scrutiny arrangements and self evaluation, and work is underway across all Resources, and with partners, to ensure effective planning, monitoring and reporting is in place.
- 5.5. The Corporate Improvement Unit will continue to review information and advice from the Accounts Commission and other bodies relating to BV2, and through the Corporate Improvement Advisory Board take action as appropriate. Further reports will be provided to the Corporate Management Team and members as required.

6. Employee Implications

6.1. There are no employee implications.

7. Financial Implications

7.1. There are no financial implications.

8. Other Implications

8.1. There are no other implications

9. Equality Impact Assessment and Consultation Arrangements

9.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

Linda Hardie

Executive Director (Finance and Information Technology Resources)

20 November 2009

Link(s) to Council Improvement Themes and Objectives

Improvement Theme – Efficient and effective use of resources

Previous References

- Performance and Review Forum – 30 June 2009 – Best Value 2 (Proposals for consultation) and Co-ordination of local government scrutiny activity

List of Background Papers

- Accounts Commission – Best Value 2 – BV2 Consultation Analysis and proposed Accounts Commission responses – August 2009
- Accounts Commission – Best Value 2 Proposals for consultation

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Helen Black, Improvement Manager

Ext: 4618 (Tel: 016980 454618)

E-mail: helen.black@southlanarkshire.gov.uk

Risk assessment and joint scrutiny planning

1. How do you view our proposals for shared risk assessment and joint scrutiny planning as a basis for streamlining the scrutiny of local government and ensuring that BV2 is more proportionate and risk-based?

2. Are there other factors that we need to take into account?

Question 1/2 - Consultation feedback

- 93% support for audit process to be founded on annual Shared Risk Assessment (SRA), updated annually involving all scrutiny bodies.
- A third of respondents anticipated a reduction in burden of scrutiny
- Series of events scheduled later in 2009 to report on lessons from 'round table' meetings. These events will also be used to explain how SRA/Joint Scrutiny Planning will be rolled out to remaining 25 councils late in 2009. This will enable an improvement plan to be agreed with all councils.

Question 1 - SLC original response

The move to shared risk assessment and joint scrutiny planning is positive. The Model provides increasing opportunities for authorities to strengthen their own approach to self evaluation and to ensure effective planning for improvement while reducing the burden of external scrutiny.

Historically, the resource implications of preparing for and addressing the practical requirements of a variety of scrutiny bodies have been significant. Any move to maximise the use of a single bank of information and evidence by several scrutiny bodies is welcome.

In addition, self evaluation should be less about the system used and more about the ongoing processes of assessment and improvement becoming part of normal business and embedded in 'the way we work'.

Question 2 - SLC original response

Factors to be taken into account should include:

- *the importance of effectively communicating jointly developed shared risk assessment arrangements between different scrutiny bodies specifically to ensure that any intended or planned changes and impacts on scrutiny and inspection within and outwith BV2 are clearly communicated*
- *the importance of ensuring that all external scrutiny bodies have a shared vision and shared levels of expectation i.e. clarity and consistency*
- *the importance of ensuring that best practice is still captured and shared and that good performers are recognised*

Self evaluation

3. Do you believe self-evaluation should be at the heart of the risk-assessment process?

4. How do you view our approach to the use of self evaluation evidence within the BV2 audit process? How might we change or further develop it?

Question 3 – consultation feedback

- 89% support for self-evaluation to be placed at heart of risk assessment.
- Will continue to draw on Reducing Burdens Action Group self evaluation principles
- Respondents looking for consistent approach to self evaluation across the sector
- Accounts Commission continue with view that it will not recommend PSIF or alternative, but are looking for robust self evaluation

Question 3 - SLC original response

Yes, this approach to scrutiny allows Councils to take ownership of their improvement agenda and for greater emphasis to be placed on delivering Council priority areas.

In addition, self evaluation, effectively used, is an excellent way for Councils to identify areas of strength and best practice.

The Reducing Burdens Action Group recommended assisted self evaluation. This approach, where evaluation is led by staff but inspectors assist and challenge performance and practice, would be complimentary to Councils conducting a self evaluation and may reduce the subsequent requirement for Auditors to further review the evidence.

In summary the application of self evaluation is one of the cornerstones of any Council wishing to demonstrate capacity for and pursuit of improvement.

It is essential that clear requirements and standards are set at the outset by the shared scrutiny board to ensure that the approach is fit for purpose and not subject to subsequent challenge – this links to 4 below which does not recommend a particular model. It would be helpful to confirm that any approach is acceptable.

Data and information coming from councils' self evaluations can be used to populate the portal developed as a result of the recommendations made by the Reducing Burdens Action Group. This was to develop and pilot a website based portal, capable of holding all required information for external audit and scrutiny. This was taken forward by South Lanarkshire with support from Audit Scotland and the Care Commission.

Question 4 – consultation feedback

- 56% agreed with proposed approach to use of self evaluation evidence.
- Number of councils noted need for further clarification and consistency of audit approach
- Self evaluation not seen by Accounts Commission as something which should be done for the audit, but something that should inform councils ongoing challenge and improvement work
- Pathfinders have given auditors insight into how they can draw on self evaluation evidence to deliver more proportionate scrutiny
- Councils will receive constructive feedback on how self evaluation evidence has been used to inform the scope of BV2 activity
- Some support in consultation for assisted self evaluation, but Accounts Commission are concerned that direct involvement may compromise independence

Question 4 – SLC original response

Whilst the guidance advises a particular self evaluation methodology will not be recommended, the issues most important to local communities must be captured and acted upon as part of the evaluation evidence and/or the risk assessment process. In addition, some form of independent peer review as part of the process may be useful.

Self evaluation also has to be manageable and not become a burden in its own right – clarity of expectation and general approach would be helpful given no recommended model will be forthcoming.

It is assumed that Audit Scotland has devised the characteristics of a best value Council from the national performance data and best practice information that they will have amassed from all local authorities. On this basis, it is a helpful starting point for Councils and should also help in prioritising self assessment outcomes.

Good practice / support for improvement

5. How do you view our proposed approach to capturing and disseminating good practice and strengthening improvement support as part of BV2?
6. What other actions should we take beyond those proposed?

Question 5/6 – consultation feedback

- Many respondents referred to need for Commission/Audit Scotland to work in partnership with Improvement Service to avoid duplication (now looking for Memorandum of Understanding)
- Would facilitation of ‘communities of practice’ sit better with Improvement Service
- Consideration will be given to establishment of Best Value Forum

Question 5 - SLC original response

It is important to capture and disseminate good practice and strengthen improvement support. The use of on-line materials including improvement resources, conferences and workshops are helpful ways to take this approach forward although their impact on improving performance may require to be evidenced.

Any opportunity to maximise peer involvement in improvement through sharing best practice should be explored.

Guidance must be clear how good practice will be shared. Focus seems to be on helping to improve – but a range of methods alongside promotion of specific awards and recommended best practice might be useful to complement forums, peer reviews etc. However, as much of this as possible should be facilitated electronically (possibly by the Improvement Service) and as a bi product of what goes on routinely to avoid this becoming a burden in its own right.

In short, in developing support mechanisms, care needs to be taken to ensure the administration and bureaucracy associated with these does not overburden the self evaluation and planning for improvement process.

Question 6 - SLC original response

Following a period of use it may be helpful to undertake a review of the effectiveness of the suggested support processes in order to identify those most valuable/least effective prior to any further action being taken.

Action learning sets could be considered where real issues can be discussed and resolved.

Single corporate assessment

7. How do you view the proposed corporate characteristics of a Best Value council as set out in appendix 1?

Question 7 – consultation feedback

- 58% agreed with proposed corporate BV2 characteristics, 5% disagreed, and 37% neither agreed nor disagreed, or had not comment.
- Strong theme around reviewing Best Value characteristics which appear in statutory guidance alongside BV2 characteristics to provide clear set of expectations on BV Council. Commission are discussing with Scottish Government.

Question 7 - SLC original response

The proposed corporate characteristics of a best value Council are welcome and appear relevant and straight forward.

It is assumed that discussions have taken place with other regulators in order that these can easily be aligned to existing frameworks and models used by other external bodies.

The criteria for corporate assessment mirror the enablers of the business excellence model, however, they do not describe the results and the outcomes that should follow. On this basis there may be scope to expand these to show 'by improving X', 'Y should follow'.

Service performance
8. We propose broadening our service and outcome evidence, and relying more on locally available data and improved joint working with inspectorates. What else should we do to improve service reporting within BV2?

Question 8 – consultation feedback

- 67% positive response to widening the evidence base for service performance and outcomes assessments, alongside joint working with inspectorates.
- Issue raised about quality and availability of data. This will be tested through pathfinders

Question 8 - SLC original response

The approach advocated in the consultation document highlights considerable sources of data and information to be utilised as an integral aspect of reporting and service performance. The refreshed emphasis on production and publishing of standards and performance reports in key aspects of Council services will assist in greater public awareness, accountability, openness and transparency.

The emphasis on locally available data is welcome as is the reduction in SPIs, however, have the agreed new SPIs been the subject of public consultation on whether or not they are adequate measures to inform the public and whether they will contribute of best value?

SPIs should reflect key performance areas and effective PPR achieved by supplementing by a few meaningful local indicators. As it currently stands the balance of local data versus statutory data is likely to be skewed toward the former which may impact on the ability of Councils to effectively benchmark.

There is still a concern that someone (regulator or government) may want national comparisons, therefore comparability may become an issue.

Partnerships

9. What are your views on our proposed approach to auditing partnership performance, and the longer-term direction of travel that we are signalling?

Question 9 – consultation feedback

- 75% approval to extend scope of BV2 beyond assessing community planning arrangements to providing a clearer focus on the contribution that partners are making to community planning and partnership activity
- Concerns raised about councils being held to account for partners' failures. Commission recognise this and will ensure judgements fully reflect local circumstances
- Some suggestion to move more rapidly towards area based assessments
- Further consideration will be given after pathfinder work complete

Question 9 - SLC original response

The proposal to auditing partnership performance and the longer term direction of travel is welcomed as partnership working both in the development and delivery of services as a key feature as to how we provide services. In addition, public bodies should work together to deliver high quality outcomes and make effective use of limited public resources.

The longer term direction of travel signalled by this approach also mirrors existing external scrutiny body approaches. The introduction of this approach within Best Value 2 will contribute towards consistency of reporting by different bodies.

There is scope for better assessments of partnerships over time – particularly as the SOA and community planning partnership arrangements mature – this would help to ensure that if there were cross service/partner challenges for example in tackling deprivation (e.g. health inequalities) at different geographical levels – assessments could be targeted at all of the relevant agencies.

SOAs and BV2

10. Is our proposed approach to considering SOAs as part of BV2 an appropriate reflection of their current status and maturity? If not, what more should we be doing?

Question 10 – consultation feedback

- General support (55%) for step wise approach to reflecting SOAs within BV2, recognising early stages of development they are in.
- Responses noted difficulty to form definitive outcome assessments, partly due to long term nature of work.
- Stressed need to consider outcomes more generally, rather than focussing on SOAs, which are only one vehicle for planning and managing outcomes.

Question 10 - SLC original response

It is appropriate that the SOA is used to inform the local risk assessment and joint scrutiny process and that reporting on the SOA will form an integral part of PPR.

In terms of the early stages of SOA development, this may be a useful area to consider joint learning and support as detailed in points 5 and 6.

SOA has still to develop fully towards having a robust link between everything that a Council does and partner agencies do on the national priorities. Agree therefore that it would be useful to see it as a development area for learning and support.

Citizen focus

11. What more do you think the Commission should do to take the views of citizens into account as part of BV2?

Question 11 – consultation feedback

- Mixed response on how much participation and reliance should be placed on views and perceptions of citizens.
- Most common response noted need to use councils' existing practices and arrangements.
- Small number of requests for Commission to establish what good practice is.
- Range of approaches will be tested with pathfinders and consulted on further with key stakeholders including Consumer Focus Scotland

Question 11 - SLC original response

As the audit emphasis is on proportionality and a measured approach to inspection a good starting point is to assess the Council and partnerships methodology of citizen engagement. This would appear to be proposed in the risk assessment model proposed. On this basis the approach suggested appears to provide sufficient scope for ensuring the views of the citizen and service users are taken into account.

Peer involvement

12. What issues, if any, would you like to raise about our proposals for officer and member peer involvement as part of BV2?

Question 12 – consultation feedback

- Overwhelming support (84%) for peer involvement – but recognition of practical challenges
- Some concerns over potential burden on councils, consistency of approach, and peer bias.
- Will be tested in pathfinders, and ongoing discussion with Solace and Cosla

Question 12 - SLC original response

This methodology has already been used in SWIA and HMIE performance inspections. It may be useful to gauge the effectiveness as part of this consultation.

There is a requirement to ensure that officer and member peer involvement can be adequately resourced and individuals are adequately trained to participate in such an exercise.

While involving officers and members as part of audit teams could result in sharing of best practice, it may be constrained by the level of performance of their own organisation relative to the one they were auditing.

If the key purpose of peer involvement is to share best practice then possibly some of the suggestions in Questions 5 and 6 could also address this area.

Main issues are resourcing, capacity and capability.

Grading/scoring
13. What are your views on the proposal to introduce formal judgements on 'direction and pace of change' and 'capacity for future improvement'?
14. Which of the options for reporting set out in Appendix 4 do you favour?

Question 13 – consultation feedback

- Broad support (57%) for the new judgements, but with need for more information on how process may operate
- Several responses noted need for judgements to be evidence based (i.e. not subjective) and for there to be consistent application across audits
- Concern over potential development of league tables being created
- Difficulty in terms of auditor acknowledging local context and improvement journey, and still being able to be fair and equitable

Question 13 - SLC original response

The introduction of a formal judgement in direction and pace of change and capacity for future improvement is an integral aspect of Best Value 2 and is to be welcomed, particularly the consist use of terminology and language.

The key evidence sources in relation to capacity for future improvement identified in Exhibit 8 are noted, however, the emphasis should clearly be placed on how effectively the Council has improved services and this factor should be weighted higher than the other three.

Question 14 – consultation feedback

- Significant support (64%) for Option 2 - i.e. narrative but standardised option. Accounts Commission are now working on more details around this option
- Will be tested with pathfinders and discussed further with Scottish Government, Cosla and Solace

Question 14 - SLC original response

Option 2 is the preferred option - i.e. Narrative but standardised capacity for improvement' and 'pace and direction of travel' judgements'.

The role of the Accounts Commission
15. What changes, if any, would you like to see in how we handle Best Value audits and our relations with councils?
16. What comments do you have on any other aspects of the Commissions work?

Question 15/16 – consultation feedback

- Improved relationships with councils and greater transparency

- Improved communication and consultation on media releases
- Keep councils informed of pathfinders and use of seminars to disseminate information
- Specific issue regarding inconsistency between draft reports, Controller and Commission findings. This will be considered further.
- Concern over length of audit process and time until publication of final report. This is noted.

Question 15 - SLC original response

In relation to Best Value 2 pathfinder audits it would be important to measure whether efficiency improvements are realised from the second round of best value audits. Has any cost benefit analysis ever been undertaken to demonstrate that the cost of the audit inspection work delivers real improvements and performance?

Question 16 - SLC original response

No comment.

Audit fees

17. What changes, if any, would you like to see to the fee regime for BV2?

Question 17 – consultation feedback

- Significant number of responses (39%) expected a new fee regime to reflect more proportionate and risk based audit approach
- Funding for BV audit is on capitation basis, therefore Commission need to discuss this with the Scottish Government

Question 17 - SLC original response

Possible scope for fee applied to be performance related i.e. Councils with less scrutiny requirements and better performance pay proportionately less in terms of a fee.

Sustainability

18. What further developments of our approach to auditing sustainability would you like to see introduced as part of BV2?

Question 18 – consultation feedback

- Emphasis in responses to sustainability being integrated rather than bolted on.
- Commission agree with this and expect to see across all five corporate assessment criteria.
- Consultation suggested focus on environmental sustainability and responses referred to inclusion of social or economic issues. Commission aim to emphasise environmental but not exclude others.
- ‘Sustainable development’ as opposed to sustainability. Sustainability reflects Scottish Government language and is used in national performance framework.
- Commission will continue to work with the Sustainable Development Commission and the Sustainable Scotland Network to develop their approach

Question 18 - SLC original response

The move to integrate sustainable development through the best value criteria is welcomed, however, the emphasis on environmental sustainability with an ‘ongoing interest’ being

retained in social and economic sustainability is somewhat surprising given the current economic climate.

Compliance, adherence and surpassing of Government policy in terms of sustainability issues would also appear to be an effective way of auditing sustainability as part of Best Value 2 given the array of existing and emerging legislation and regulation.

Equalities

19. What further developments of our approach to auditing equalities would you like to see introduced as part of BV2?

Question 19 – consultation feedback

- Responses to consultation considered that equalities, like sustainable development should be integrated across the whole audit of the organisation. The Commission agree with this and the equalities framework designed to consider against all five corporate assessment criteria.
- Discussion will continue with Equality and Human Right Commission.

Question 19 – SLC original response

Equalities are monitored via Statutory Equalities Scheme and the Equalities and Human Rights Commission. Therefore in line with the reducing burdens agenda the amount of additional scrutiny through the BV audit requires to be considered.

It is also important to be able to demonstrate that councils are making a difference in terms of equality and not just meeting statutory requirements.

Other Comments – consultation feedback

- Harmonise risk frameworks between agencies
- Constant communication to keep councils informed
- Take account of the impact of the recession

Other comments - SLC original response

BV2 audit work (at least in the short term) should take account of the current recessionary position, and the fact that the focus for councils may inevitably be on sustaining and protecting priority services.

If consideration is taken of comments/discussions in recent weeks with the Scottish Housing Regulator (and in relation to the new housing bill and scrutiny arrangements) – the general point is that if it does what it says it would be welcomed since it will reduce the overall corporate burden associated with the vast array of inspections. In this context the risk and proportionate or targeted approach is a positive development as is the idea of a more continual assessment of progress.

One aspect of the risk based approach that has been highlighted is that it focuses on just that – the risks, and that the scope for promoting, sharing and being commended for good or best practice potentially gets lost in this process. It would be useful to ensure that the public hear about more than just the negatives associated with an authority.