

An overview of the audits of Best Value and Community Planning 2004–09

Making an impact

Prepared for the Accounts Commission

October 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 44 joint boards and committees (including police and fire and rescue services).

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.

Introduction

This report provides an overview of the audits of Best Value and Community Planning across the 32 councils in Scotland. The first Best Value (BV) audit report was published in September 2004, and the last was published in May 2009. Much has changed in those four and a half years, both in local government and in the way the Accounts Commission has worked with Audit Scotland to evolve and improve the audit.

In local government, some of the most significant events have been:

- the introduction, in May 2007, of proportional representation in council elections, resulting in major changes to the political landscape in Scottish local government
- the introduction of multi-member wards, requiring councillors to work very differently with each other in support of their communities
- a change in national government, with the SNP forming a minority administration in the Scottish Parliament in May 2007
- the introduction of the concordat between local authorities and the Scottish Government, and the development of Single Outcome Agreements (SOAs)
- the removal of ring fenced funding
- significant changes in the managerial leadership of councils, with 14 new chief executives being appointed since May 2007, and several others taking up post in 2006
- ongoing changes to the scrutiny regime in local government, following the publication of the Crerar report in 2008.

These changes have required local authorities to develop new ways of working, both politically and managerially. The vast majority of councils now have political arrangements involving minority, independent or coalition administrations. This has had significant implications for how councils respond to Best Value, affecting approaches to governance and decision-making, scrutiny, and setting priorities. Similarly, the introduction of SOAs has increased the need for effective partnership working across the public sector and is requiring councils to work even more closely with their partners to deliver better outcomes for their communities.

Local government is entering one of the most challenging periods of recent times, as the financial context within which they are operating becomes even tighter. The economic downturn, coupled with the need to make savings, means that many councils are facing a very challenging financial outlook. So it is more important than ever that councils are delivering Best Value. They need to challenge how services are delivered, work more effectively with partners, identify where efficiencies can be made and consider how best to use the resources at their disposal.

The changing environment also has implications for the scrutiny of local government. The Commission is committed to delivering a more efficient and effective audit regime, working closely with our colleagues in inspection agencies to ensure more streamlined scrutiny for local authorities.

About this report

This report draws from the 32 full BV audit reports, plus the 11 formal BV progress reports that the Commission has published. It summarises the impact of Best Value and presents the main issues that arose from those audit reports. The Commission recognises that the material used to develop this report presents a snapshot of councils at particular points in their development. The report is not exhaustive, nor does it seek to present a definitive view of local government across Scotland. It is designed to highlight areas of common interest, and to stimulate discussion on areas of Best Value where the Commission feels local authorities are doing well and where further improvement is needed.

In Part 1 of the report, we provide an overview of the impact of Best Value, and the Accounts Commission's role in holding councils to account and helping them to improve. Part 2 summarises the main issues we have identified through the BV audits. In Part 3, we briefly set the scene for the future direction for the audit of Best Value in local government, and the Commission's role in developing more streamlined audit and inspection in councils.

In preparing the report, the audit team looked at whether any patterns or trends could be identified across the performance of the 32 councils. It became clear that the only obvious pattern was one of variation in performance, both within and across councils. For example, there is no obvious correlation between performance and factors such as council size, political make-up or structures, demography or geography.

We have decided to focus this report on the corporate assessment elements of the BV audit reports, concentrating on issues of strategic leadership and how well councils are organised to deliver Best Value. While each of the 32 audits looked at service performance in councils in some detail, our colleagues in other inspectorates remain best placed to report on specific service areas. Our proposals for the next phase of BV audits, known as BV2, are designed to provide an increased focus on service performance, and the extent to which councils are able to improve outcomes for local communities.

Part 1. The impact of Best Value

Key messages

- The audit of Best Value and Community Planning has, for the first time, provided the Scottish public with an overall picture of how well their councils are performing.
- Best Value has had a positive impact on local government in Scotland.

The audit of Best Value and Community Planning has, for the first time, provided the Scottish public with an overall picture of how well their councils are performing

1. The Local Government in Scotland Act 2003 established Best Value as a statutory requirement for councils. The act defines Best Value as 'continuous improvement in the performance of the authority's functions'. The objective of Best Value is to ensure that councils deliver better and more responsive public services. It is about:

- balancing the quality of services with cost
- continuously improving the services provided
- being accountable and transparent, by listening and responding to the local community
- achieving sustainable development in how the council operates
- ensuring equal opportunities in the delivery of services.

2. Having consulted widely on the audit approach, the Accounts Commission launched the audit of Best Value and Community Planning in July 2004. The audit work is delivered by Audit Scotland and results in a statutory report by the Controller of Audit to the Accounts Commission. Having considered the report, the Commission may do any or all of the following:

- direct the Controller to carry out further investigations
- hold a hearing
- state its findings.

3. The Controller's report and the Commission's findings are reported in public. Once the Commission's findings are published, the Commission meets with the council to discuss with elected members and senior officers their response to the audit report and our findings. Each council is required to prepare an improvement plan to address the issues highlighted by the audit. In most cases, Audit Scotland monitors the council's progress against its improvement plan through the annual audit process. In other cases, where the Commission has questions about a council's response to Best Value or its ability to deliver improvement, we can ask for a follow-up BV audit report.

4. The Commission has now published findings for every Scottish council. This means that, for the first time, the Scottish public has an overall picture of how well their councils are performing.

5. Best Value audit reports, and the Commission's findings, have attracted a great deal of media coverage. All BV reports received widespread coverage in local media and many received national coverage. This has served to raise the public profile and increase understanding of council performance.

6. Best Value reports on two councils highlighted issues that were of such concern that we decided to hold public hearings. In the case of West Dunbartonshire Council, the BV audit brought to light weaknesses in leadership and a lack of transparency in decision-making processes. The audit found that the prevailing culture in the council did not support continuous improvement. The council disputed some elements of the Controller of Audit report and the hearing, held in November 2006, allowed the

Commission to hear evidence from the council, Audit Scotland and other interested parties in a public setting. The Commission required two formal progress reports from the Controller, which were published in January 2008 and July 2009.

7. The Best Value audit of Aberdeen City Council found that there were significant weaknesses in major services and the council's financial position was precarious. The leadership had found it difficult to engage staff with the council's improvement agenda. The Commission held a public hearing in May 2008 and requested a progress report, which was published in July 2009.

8. Both hearings provided the opportunity for the Accounts Commission to deal with issues of concern in public, and to ask searching questions of the councils, Audit Scotland and other interested parties. Public hearings are rare events, but they are an important part of the governance and accountability framework of local government in Scotland.

Best Value has had a positive impact on local government in Scotland

9. The introduction in 2003 of the statutory duty to demonstrate Best Value has had a significant impact on local government. The concept of Best Value had been around for several years by then, but the statutory duty on councils, and the introduction of the BV audit, focused the minds of elected members and senior officers and provided a catalyst for change and improvement. It encouraged councils to take a more systematic approach to improving performance and emphasised the importance of medium to long-term planning.

10. Local government in Scotland spends around £18 billion of public money each year. In the five years from 2004/05, Scottish councils have paid fees to Audit Scotland of around £7.56 million for the Best Value audit. We are not in a position to estimate the amount of time and money spent by councils in preparing for, and participating in, BV audits, as councils themselves have not typically kept a record of this. However, we do know that councils spent significant amounts of time and effort getting ready for the BV audits, and we recognise the commitment of councils in preparing thoroughly for the audit process.

11. Audit Scotland's experience has been that councils that were already better placed to deliver Best Value found the preparations for the audit more straightforward than those where BV arrangements were less well developed. In particular, those councils with effective approaches to assessing their own performance were, and continue to be, in a better position to deliver Best Value for their communities.

12. The duty of Best Value, and the audit of Best Value and Community Planning, has had a positive impact on local government in Scotland. We say this for a number of reasons:

- Councils have, on the whole, responded positively to the introduction of the BV duty, improving important areas of activity that had until then been largely free of detailed scrutiny.
- It shone a spotlight on council leadership, and provided a more structured and independent assessment of how well councillors and senior managers lead their councils.
- The self-assessment element of the BV audit process encouraged councils to take stock of where they were performing well and where they had to improve.
- Along with the external audit, the BV audit has helped the Accounts Commission identify and raise important issues across local government, such as the need for better performance management, improved public reporting and greater challenge and scrutiny in councils.
- It has improved the performance of councils, particularly in those councils where the Commission asked for progress reports.
- We know that councils read the BV reports on other councils closely and have used them to improve their own organisations.
- The BV audit has provided the opportunity, on two occasions, to hold public hearings into councils where there was significant public interest and concern. Other than through elections, there is no other mechanism for councils to be publicly held to account in this way.

13. The Commission also recognised some areas for improvement in the way the first phase of BV audits was delivered. In 2007, we published the results of an independent review of the BV audit¹, which concluded that the BV audit had become established, gained credibility and was broadly effective. The report also highlighted a number of areas for improvement. For example, it recommended that the audit approach should provide:

- a more proportionate and flexible approach
- an increased emphasis on self-assessment

- a greater emphasis on outcomes
- an increased emphasis on community leadership
- better use of existing good practice
- reports that are shorter and easier to read.

14. These recommendations now lie at the heart of the enhanced BV2 approach, which is being developed and rolled out during 2009.

15. The Accounts Commission asked the controller of Audit to carry out BV follow-up audits in a further six councils: Inverclyde, Shetland, Moray, Argyll and Bute, Glasgow, and South Ayrshire. The follow-up on South Ayrshire Council is scheduled for 2010.

16. The follow-up audits published to date show that nearly all the councils had made progress in implementing Best Value, although the pace of change had not been sufficient in some places. It is clear that the follow-up audits have helped to focus improvement activity in the councils where they took place.

17. The progress of councils is monitored routinely by external audit teams and reported to elected members and the Controller of Audit through the annual audit process. Most councils are making progress in implementing their action plans, although in many councils the evidence of the impact of change is less clear.

¹ *Decisive Moment*, The independent review of the Best Value Audit process, May 2007.

Part 2. What did the audits tell us?

Key messages

- Effective political and managerial leadership is central to good performance.
- Councils work well with partners at a local level, but need to show what this is achieving.
- Effective performance management is essential to improve services.
- Good councils scrutinise performance, challenge existing ways of doing things and demonstrate value for money.
- Best Value councils manage their people, property and money in a way that improves services and delivers value for money.
- Good customer care, listening to and working with local people helps improve services.
- The impact of equalities activity needs to be demonstrated.
- Sustainable development activity needs to be more coordinated.

Effective political and managerial leadership is central to good performance

18. Councils that were most advanced in addressing Best Value were led effectively by councillors and officers. The Accounts Commission made specific, positive findings on leadership in around a third of councils. In another third of councils, however, the Commission specifically identified the need for clearer political and/or managerial leadership.

19. Effective leaders have established a clear and ambitious vision of what the council seeks to achieve for its local area and the communities it serves. Elected members and senior officers promote this vision and ensure it is delivered with support from staff and partner organisations.

20. Elected members are responsible for setting the strategic direction of the council. High-level aspirations do not differ significantly from council to council. All councils aim to improve the quality of life of local residents and provide good services. In the more successful councils, elected members and the senior management team work together to translate the overall vision into actions that will make a real difference to the lives of local people. Strategies and plans are informed by talking to local people and listening to what they want and need. Plans need to contain clear and measurable targets if they are to be effective in bringing about improvements in services. It should be clear who is responsible for delivering what, and by when.

21. The councils where we found effective political leadership were able to work together for the good of the area as a whole. The Commission recognises that politics is an integral and important part of local government and that elected members are accountable to the people who voted for them. They have a very demanding role, balancing the need to represent the people within their wards and provide leadership for the council area as a whole. The best performing councils are able to identify when to set aside political differences and work on a more consensual basis for the good of the community. Effective political leaders are able to communicate clearly their vision for the area, and are visible in leading the council, and its partners, in delivering that vision.

22. Leaders are responsible for establishing a culture which promotes continuous improvement. They should ensure that:

- priorities are clear and well communicated internally and externally
- decision-making is open and transparent
- constructive challenge is encouraged
- high standards of conduct and performance are expected and delivered.

23. In just over half of all councils, setting and communicating clearer priorities were identified as key improvement actions. The current financial environment makes it even more important that councils are clear about their service priorities. Strong political leadership is required and difficult decisions will need to be made about what services are delivered, and how.

24. Common problems were that priorities were too general, too vague, or too numerous. Plans that lack specific detail about what exactly the council will deliver, and how, do not help focus council resources on the most important areas. A lack of specific actions and targets also makes it difficult for local people to judge whether or not their council has delivered the improvements it promised.

25. Audit evidence therefore clearly points to leadership and governance as significantly influencing a council's ability to deliver Best Value. The characteristics of effective leadership and its impact are illustrated in Exhibit 1.

Councils work well with partners locally, but need to show what this is achieving

26. Good partnership working is important to ensure:

- services are delivered in the most efficient and effective way
- there is no costly duplication of processes
- the public receives services that are joined up, where appropriate, regardless of which organisation is responsible for delivering them.

27. Councils have worked well with partners in drawing up community plans for their area. Many partnerships have also been successful in delivering regeneration projects. Joint working with other agencies at a local level involving specific aspects of services such as addiction services, and employment and training services also works well. The success of joint working in many cases relies on the commitment of people at the front-line of service delivery. More needs to be done to coordinate and measure the effectiveness of joint working.

28. Councils are responsible for facilitating and maintaining community planning in their local area. During the course of the audit programme the profile and role of community plans increased. The community plan now sits at the apex of councils' planning hierarchy and there are clear links between community plans and corporate objectives in most councils.

29. The audits showed a mixed level of engagement in community planning among elected members and senior management. Many Community Planning Partnerships were overly bureaucratic and did not focus enough on outcomes for local people. The performance management and monitoring processes of partnerships are not well developed and there is a clear need to improve the way they report performance to the public.

30. The advent of SOAs, which are focused on outcomes for the local area, has given partnership working renewed momentum. There is now, more than ever, a clear need for partnerships to focus more on coordinating and joining up delivery, as well as planning and monitoring services. Performance management systems for community planning need significant development to cope with the demands of reporting on SOAs. Partnerships need to be clear about what actions by which partners resulted in specified outcomes if they are to target resources effectively and efficiently and maintain accountability for the use of resources.

Effective performance management is essential to improve services

- 31.** Performance management lies at the heart of delivering Best Value. Councils must be able to demonstrate how they are performing across all aspects of their business and show performance trends over time. Only then will they be able to demonstrate the continuous improvement that Best Value requires.
- 32.** Performance management was an area where all councils had room for improvement. The better councils had sound frameworks in place, populated with meaningful and manageable performance information. The poorer councils lacked a coherent corporate framework and performance information was patchy across the various departments of the council.
- 33.** Most councils had improvement actions relating to performance management in the improvement plans arising from the BV audit. The actions ranged from 'establish an effective performance management framework' to 'continue to develop performance management'. It was disappointing to find that many councils were still using Statutory Performance Indicators (SPIs) as the primary performance management tool at corporate level, despite the widely acknowledged limitations in the scope of SPI measures.
- 34.** Even where performance management was well established, there were still improvements that could be made to the information being produced and monitored. While budgets and spend tended to be closely monitored, meaningful information on service costs was an area requiring significant development in most councils.
- 35.** Despite the key principles of performance management being widely known, many councils have difficulty in designing and implementing a comprehensive corporate performance management regime that supports continuous improvement. Performance management and reporting is an even more important element of Best Value in the context of SOAs. Robust arrangements need to be in place to monitor the achievement of outcomes, as well as continuing to report on activities and projects. The key features of an effective performance management system are shown in Exhibit 2.
- 36.** Public performance reporting (PPR) is an essential part of accountability and a key element of the Best Value statutory guidance. It is about informing the local community about areas where the council is performing well and where they need to do better. Councils generally need to improve PPR to ensure that it is clear and balanced and presents an honest reflection of strengths and weaknesses. The need for improvements in PPR featured consistently in BV audit reports and improvement plans.
- 37.** The main issue that arises in PPR is one of balance, with too much emphasis on positive achievements. PPR is often limited by shortcomings in the available performance information. Councils also need to ensure that information is presented in a way that is easily understandable and that it is available in a variety of forms to meet the needs of diverse communities.
- 38.** To make PPR meaningful, the information must be presented in context. PPR would be improved by more comparative information on the council's performance over time and an indication of how the council compares with other service providers, including other councils and, where appropriate, the private and voluntary sectors.

Good councils scrutinise performance and challenge existing ways of doing things

- 39.** Best Value requires councils to achieve continuous improvement across the range of their activities. This is not just a case of doing the same things better, but requires ongoing challenge to ensure that the right things are being done in the most efficient and effective way.
- 40.** Having set the strategic direction of the council and identified priorities for action, elected members and senior officers need to ensure the desired outcomes are achieved. Elected members need to hold officers to account and ensure they are delivering good quality services efficiently, meeting council objectives, and taking action to address poor performance.
- 41.** Scrutiny has been an important focus for BV audits. Effective and challenging scrutiny by elected members demonstrates commitment to Best Value and sets a culture of high expectations. Open and transparent scrutiny increases the level of public accountability and ultimately improves services.
- 42.** Best Value reports noted room for improvement in scrutiny in almost all councils and the Best Value improvement agendas for 21 councils specifically identified the need to improve scrutiny as a priority.
- 43.** It is for councils to decide what political structures work best for them, and the Commission does not have a view about one political model over another. We are more concerned about whether governance arrangements support effective scrutiny by elected members and lead to better and more efficient services. Political and managerial structures need to support the council in ensuring its objectives are met. The roles and responsibilities of committees and senior officers should be set out in a scheme of delegation. This should also identify where responsibility for scrutiny lies.
- 44.** The more successful councils foster a culture where challenge is seen as constructive and necessary to bring about the best results for local people. This requires an open culture with good relationships between elected members and officers.

Some councils have sought to introduce an element of external challenge by appointing people from outside the council to scrutiny and audit committees.

45. Effective scrutiny is often hindered by a lack of good quality performance information. Even where good information exists, it is not always presented or analysed in a way that is helpful and easily understood. This can make it difficult for elected members to make informed decisions and hold officers to account.

46. Councils have a responsibility to ensure that services are designed and delivered in a way that secures value for money for service users and citizens. This means that services should be reviewed regularly and this should be seen as a routine part of running the council. The audits found that review activity was most successful in bringing about fundamental improvement where review teams included external challenge. Good councils ask themselves questions such as: 'Is there a need for this service?'; 'If so, how should it be delivered and by whom?'; 'Have we explored all the realistic options?'; 'Do we have sufficient evidence to make an informed decision?'

47. The most common problem with service reviews has been a lack of fundamental challenge and creative thinking about how services could be shaped more effectively around the needs of the people who use them. There was strong evidence that reviews had resulted in some service improvements but in only a few cases had they resulted in fundamental change.

48. It is essential that elected members support the Best Value review process and are open to considering all options for service delivery put before them. This can only happen when a rigorous options appraisal has taken place and is reported to elected members. Decisions about service provision are then transparent and evidence based, with cost and quality factors taken into account. We recognise that this often requires elected members to take difficult political decisions, for example, where a more cost-effective provider can be found outside the boundaries of the council area.

Councils need to do more to demonstrate value for money

49. The Local Government in Scotland Act 2003 replaced Compulsory Competitive Tendering (CCT) with statutory guidance that requires a council to conduct its business in a manner that demonstrates appropriate competitive practice. Best Value also requires councils to ensure that they balance cost and quality when deciding how services will be provided.

50. Best Value audits show that councils need to do more to demonstrate cost-effectiveness across the whole range of their services. Councils must be able to show that their services provide value for money by being able to demonstrate that the cost of services is 'competitive' when compared with other providers or commissioners of services. One way in which competitiveness can be tested is by comparing cost and service performance against other providers, both in the private and public sectors. In some areas, particularly more remote communities, there may be a lack of an obvious 'market' and councils need to consider their role in developing market capacity to ensure value for money. Local people should be able to have confidence that their council is delivering services in a way that ensures they are getting the best possible service, given the resources available.

51. The amount of market testing done by councils is limited and is generally restricted to those activities formerly subject to CCT. These include building and roads maintenance, refuse collection and cleaning.

52. The lack of a robust approach to testing competitiveness is an area where most councils have considerable scope to improve. Issues relating to competitiveness featured in 23 out of 32 BV audit reports.

Best Value councils manage their people, property and money in a way that improves services and delivers value for money

53. The efficient and effective use of resources is critical to achieving Best Value. Councils have significant resources in terms of finance, people and property. It is important that these resources are used in the most effective way to help the council to achieve its objectives and to support the delivery of good quality services.

54. Evidence is emerging of more strategic approaches to the management of individual resources such as property and staff. However, there is a long way to go before most councils will have established a way of aligning their resources with their strategies, plans and targets.

Financial management is generally sound, but councils need to improve longer-term financial planning

55. Councils spend around £18 billion providing services. Financial management in most councils is sound. However, they need to do more to manage finances strategically in the medium to long term and ensure that budgets are in line with council objectives. Budgets need to be flexible to meet changing circumstances and councils need to be clear about their spending priorities when there are competing, sometimes unforeseen, financial pressures.

56. Many councils still take an incremental approach to budgeting, basing future budgets on doing the same things with an

adjustment for inflation. This approach to budgeting is not sustainable if councils are to get the most out of their budgets in an increasingly difficult financial environment.

57. Some councils have made efforts to fundamentally review their budget base. This requires significant time, effort and expertise if it is to be done effectively. It requires fundamental challenge to existing ways of doing things and needs to be supported by elected members and the corporate management team. Having undertaken the review, councils need to take some difficult decisions about whether, and how, services are delivered in the longer term.

58. There has been an increasing focus on delivering efficiencies in local government in recent years. In many councils, savings are being made year-on-year, but with limited understanding of the impact that these savings are having on staff and service delivery. Areas such as shared services and agreed common processes have not been progressed in many councils or partnerships. There remains a great deal of scope for councils to simplify, standardise and streamline processes and systems.

Councils could do more to get the best out of staff

59. Council staff are crucial to successfully delivering high-quality services. The 32 BV audits have underlined the commitment and talent that exists in Scottish local government. The council workforce in Scotland is around 257,000 full-time equivalents. A positive staff culture is a defining feature of those councils which have been most successful in addressing Best Value. Managing change effectively is critical and councils need to ensure that staff are engaged in, and have ownership of, the changes they will experience in their organisations. Many councils undertake staff surveys, although the application of these is patchy and most councils needed to improve the way they monitor action in response to surveys.

60. Councils have been slow to develop strategic approaches to workforce management and planning. There was evidence of some good practice in local areas and departments, but on the whole councils are not sufficiently aware of the people and skills they have available and do not have clear plans to make sure that the right people are in the right jobs, with the right skills, at the right time. Addressing single status and equal pay has placed a significant strain on human resource management capacity within councils and has clearly affected their ability to focus on more strategic issues. However, the sector as a whole needs to make progress with strategic approaches to people management.

61. Staff work best when they are clear about the council's corporate and service goals and their part in achieving those goals. This means that individual performance review processes must be linked to corporate and service planning processes. Most councils have some form of staff appraisal and development scheme in place, although coverage within councils is often patchy and the effectiveness of these schemes is often not clear.

62. Sickness absence is costly and councils are increasingly adopting strategies to minimise time spent away from work due to ill health. There is increasing evidence of family friendly policies and flexible working arrangements to help reduce negative impacts of stress and support employee well-being. Councils are also increasingly introducing return to work processes to reduce the impact of long-term sickness absence both for the individuals concerned and for the organisation as a whole.

More could be done to use assets more effectively

63. Councils use operational fixed assets worth around £26 billion to provide services. This represents a significant investment, mostly in land and property. It is important that these assets are viewed strategically to ensure they are used in the most efficient, effective and economical way. At the time of audit, only around a third of councils had a corporate asset management framework in place. The remaining councils lacked a strategic approach and tended to view assets as a departmental rather than a corporate resource. Asset management tended to be most developed for schools, where there is a national strategy for improving the schools estate.

64. In May 2009, the Accounts Commission published a report on asset management in local government. The key messages in that report reflect our experiences in the BV audits. In particular, the asset management report found that:

- almost two-thirds of councils reported that their property maintenance backlog was increasing
- more than half of all councils did not have an approved corporate asset management strategy, although the majority had one under development
- while elected members can play an important role in asset management decisions, many councils do not have effective arrangements in place for members' scrutiny of asset management
- councils are beginning to work with partners on joint approaches to asset management, but progress has been slow.

65. Only a few councils had established performance indicators to enable them to get the Best Value for money from their assets.

Good customer care helps improve services

66. Maintaining a focus on the people who use services and on local communities is critical to achieving Best Value. Almost half of all BV reports specifically highlighted customer care in the improvement agenda and councils need to keep abreast of changing expectations of public services.

67. Councils who maintained this focus on service users tended to have a culture where challenge was more open and constructive because it was driven by producing better results for local people. Councils were developing customer contact strategies but in several cases implementation had stalled.

68. Some councils were having difficulty in establishing effective ways for the public to contact the council and access the required information or service. This is a basic aspect of customer care and was generally indicative of a lack of customer focus.

69. A top-level commitment to customer care from councillors and senior managers fosters a culture where high standards of customer care are expected. This needs to be supported by effective staff training.

70. The majority of councils undertake some form of survey of service users and citizens. This can take the form of a citizens' panel, a household survey, a tenants' survey or more service user based surveys. Consistency of application varies within and across councils and there is a need to ensure that the results of these surveys lead to action that is communicated to local people. Many councils recognise this and are working with the Improvement Service and Consumer Focus Scotland to develop a more consistent approach to customer surveys.

71. Some councils have established customer standards, setting out what people can expect by way of service quality. Customer standards can be effective in promoting improvement where reports on performance in meeting standards are reviewed by councillors and senior managers.

72. Councils have formal complaints systems in place but they differ as to how well they use the information gathered from complaints. Complaints can help identify problems within services and the more enlightened councils use this information at a corporate level to assess whether there are wider implications across all services.

Listening to and working with local people brings real benefits

73. Best Value requires councils to provide services that take account of the needs and preferences of the people who use them. This means they need to find effective ways of involving local communities and developing a genuine understanding of what local people need and expect from the council. For this involvement to make a difference, the results need to feed into the council's planning processes so that there is a clear link between community involvement, priorities and action.

74. BV audits consistently found that there was a lot of consultation and involvement activity taking place with a variety of communities and interest groups. However, in most councils the quality of community engagement varied between services. The most common issue was that activity was not being centrally coordinated and monitored.

75. The impact of engagement activity is not always being measured and fed back to those taking part. Councils could also do more to demonstrate clearer links between consultation and changes in services. Overall, this means that the full benefits of community engagement activity are not being realised and that it is not being done in the most efficient and effective way.

76. There is increasing recognition that it is beneficial for community engagement to be coordinated across community planning partners. Where this happens, councils need to ensure that engagement activity includes issues for which the council is directly responsible, as well as wider partnership issues. This will provide valuable information that can be used to ensure services remain responsive.

77. Some councils have established area committees, local area forums or local community planning partnerships. These can act as effective local consultation and discussion forums. Area committees can also be a powerful way of enabling local communities to directly shape and monitor the quality of local services. Community councils are an important element of local democracy and all councils involved them in a variety of ways. However, there were few examples of community councils being involved directly in service delivery.

78. While area committees and similar mechanisms are a positive feature, the audits found there is scope for them to be used more effectively. Many councils were not very clear about what they wanted area committees to do. Evidence suggests that many local area committees focused too heavily on local planning applications, and did not have sufficient delegated authority to lead and shape local service delivery. Councils have struggled to balance local area needs with the corporate expectations of the council as a whole. While local service delivery needs to reflect the needs and expectations of the local community, the council also has a responsibility to ensure equality of access to and quality of services across the region.

The impact of equalities activity needs to be demonstrated

79. The duty of equal opportunities as set out in the Scotland Act 1998 is very wide. The Act requires the prevention of discrimination on the grounds of gender, marital status, race, disability, age, sexual orientation, language, social origin or of other

personal attributes, such as religious or political beliefs. There was also a high awareness in rural councils of the need to address potential inequalities arising from living in geographically remote and sparsely populated areas.

80. Many councils were able to point to significant initiatives to tackle existing inequalities and address the needs of different groups. However, few councils had a well integrated strategic approach to coordinating activity aimed at tackling inequality. Councils were generally poor at monitoring and assessing the impact of this activity. In general, councils were very aware of, and had made better progress with, their equalities duties as an employer, with the relevant policies and practice in place. However, the issue of equalities in service delivery is more complex and councils generally were less well advanced in this area.

81. Good corporate leadership of equalities is essential to ensure that consideration of equalities issues becomes embedded throughout the organisation. The Accounts Commission's report on *The impact of the race equality duty on council services* (November 2008) concluded that councils need to better understand the needs of minority ethnic communities, mainstream their approach to race equality in routine management arrangements and give more priority to race equality in delivering services. Well-structured training programmes are one way that councils can demonstrate commitment and leadership in respect of equal opportunities.

Sustainable development activity needs to be more coordinated

82. Sustainable development is about councils managing the social, economic and environmental impacts of their activities. Best Value legislation introduced a requirement for councils to contribute to the achievement of sustainable development. This has led councils to consider more explicitly the wider impact of their activities on their communities and the environment. The first round of BV audits has demonstrated that different councils put different emphasis on aspects of sustainability, depending on the local context.

83. There is evidence that councils undertake a wide range of activity that contributes to sustainable development and we recognise the increasing awareness of sustainability issues. Waste management and recycling are high on the agenda of most councils, although some have been more successful than others in meeting these challenges.

84. Councils in the central belt have focused on major urban regeneration projects which contribute to social and economic sustainability. Environmental sustainability has featured high on the agendas of councils which have large rural areas with important natural habitats for wildlife. These councils have also been at the forefront of harnessing their natural resources for renewable energy sources, such as wave and wind power. Rural and island councils have focused work on sustaining remote, fragile communities, with an emphasis on maintaining good transport links and access to services, and encouraging community enterprises.

85. There are many examples across Scotland of council-funded projects and initiatives which contribute to sustainable development. In general, however, councils are not good at capturing and measuring the impact of sustainable development activity. They also need to do more to coordinate sustainable development work to ensure that resources are being properly and efficiently targeted.

Exhibit 1

Good leadership has a significant impact on all aspects of the business

Characteristics of councils with good leadership	The impact of good leadership
---	--------------------------------------

<ul style="list-style-type: none"> • Clear vision for the area, with clear supporting plans for delivering it. • Clearly understood political and managerial structures and roles. • Professional and constructive relationships between elected members, and between elected members and officers. • A 'whole council' focus, rather than departmentalism. • The ability to take difficult political and managerial decisions to manage services within tight budgetary constraints. • A culture that encourages constructive challenge and managed risk-taking. • Regular review of services to ensure that they are providing value for money. • Clear accountabilities and a strong commitment to scrutiny. • Openness and transparency in decision-making, including good use of options appraisal. • Outward looking. 	<ul style="list-style-type: none"> • Consistent quality of services. • Services focus on the people using them. • Clear strategic direction and responsibilities for delivery. • Effective delivery of major initiatives and projects. • Effective management of medium to long-term financial pressures. • Improving services by learning from good practice within councils, and from other organisations and sectors. • Good staff morale. • Decisions that are clearly based on evidence. • A genuine focus on the efficiency of services, and a track record of redirecting savings to front-line services. • Good relationships with partners, resulting in improved service delivery and better results for local people.
---	--

Source: Audit Scotland

Exhibit 2

Key features of an effective performance management system

Culture

- Elected members demonstrate a willingness and ability to scrutinise and challenge performance constructively.
- Leaders have established a performance-focused culture.
- Poor performance is challenged, good performance is recognised and built upon.
- Performance management is integrated into everyday activities.
- Managers are held accountable for performance.

Process

- There is an effective corporate framework in place and embedded across the organisation.
- The system produces information that is accurate, timely and relevant to the council's priorities and service activities.
- The data is analysed to enable the quality of services at a global level, eg social work, and at a divisional or area level to support the different levels of accountability within the council.

Action and improvement focused

- Information is monitored at an appropriate level.
- Poor performance is challenged.
- Effective action is taken to improve performance and the impact is monitored.

- Improvement actions are specific and measurable.

Source: Audit Scotland

Part 3. The way forward for Best Value

86. Having completed the first phase of the BV audits, we are now rolling out the second phase, known as BV2. The Commission undertook a wide-ranging consultation exercise earlier in 2009, which set out the principles of the developing approach. We do not intend to repeat these here, and details of the consultation process, with a summary of the responses, can be found on the Accounts Commission website <http://www.audit-scotland.gov.uk/BV2/index.php>

87. BV2 provides an opportunity for the Commission to assess progress in councils since their first BV audit and to compare them with the characteristics of a Best Value council, which were set out in the consultation document and which have received broad support from the local government community.

88. The BV2 approach will be more proportionate and risk based, resulting in audits that are more specific to the issues in individual councils. The audit will be more searching in assessing the impact of a council's actions, and will provide clearer judgements on the council's direction of travel and capacity for future improvement.

89. The Accounts Commission and Audit Scotland are committed to delivering a BV audit that is proportionate, but this does not necessarily mean that all councils will receive less scrutiny all of the time. Depending on the outcomes of the risk assessment process, some councils could find that the level of scrutiny goes up rather than down. Overall, however, the amount of audit and inspection experienced by local government will reduce in time.

90. The amount of scrutiny applied by audit and inspection agencies in councils will depend to a large extent on how good a council is at assessing its own performance. If a council has effective self-evaluation processes, and clear plans to address areas of poor performance, then the scrutiny bodies are likely to need to do less work. There is an important link, therefore, between a council's approach to self-evaluation and the amount of scrutiny that it receives.

91. The Commission recognises the vitally important role played by local authorities in delivering critical services to the public, often to the most vulnerable in society. We also recognise the important part played by partner organisations in delivering these services. We are committed to developing our approach to partnership audit, shifting the balance of focus from solely looking at councils to taking a wider view of partnership performance and the contribution of other partners. While the statutory duty of Best Value in the 2003 legislation applies only to local authorities, we appreciate that outcomes for local communities will improve only if all partners in public service delivery work together effectively.

Audits of Best Value and Community Planning

Council	Report date
Angus Council	September 2004
North Ayrshire Council	February 2005
Stirling Council	March 2005
Shetland Islands Council	March 2005
Inverclyde Council	June 2005
West Lothian Council	June 2005
Dundee City Council	October 2005
East Renfrewshire Council	October 2005
Inverclyde Council progress report 1	November 2005
Glasgow City Council	January 2006

The Moray Council	February 2006
Argyll & Bute Council	February 2006
The Highland Council	April 2006
Renfrewshire Council	July 2006
Comhairle nan Eilean Siar	August 2006
East Ayrshire Council	September 2006
Shetland Islands Council progress report 1	January 2007
Inverclyde Council progress report 2	February 2007
City of Edinburgh Council	February 2007
West Dunbartonshire Council	February 2007
Scottish Borders Council	March 2007
The Moray Council progress report 1	August 2007
Clackmannanshire Council	September 2007
East Lothian Council	October 2007
West Dunbartonshire Council progress report 1	January 2008
Falkirk Council	May 2008
North Lanarkshire Council	May 2008
Aberdeen City Council	May 2008
Orkney Islands Council	June 2008
Midlothian Council	June 2008
Aberdeenshire Council	June 2008
Perth & Kinross Council	August 2008
Argyll & Bute Council progress report 1	December 2008
Inverclyde Council progress report 4	January 2009
The Moray Council progress report 2	February 2009
South Lanarkshire Council	February 2009
Fife Council	March 2009
Dumfries & Galloway Council	April 2009
Glasgow City Council progress report 1	April 2009
South Ayrshire Council	April 2009
East Dunbartonshire Council	May 2009
West Dunbartonshire Council progress report 2	July 2009

