

# **EAST AYRSHIRE COUNCIL**

## **COUNCIL MEETING: 13 MAY 2010**

### **BEST VALUE 2 AUDIT REPORT**

#### **Report by the Chief Executive**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To provide Council with the Accounts Commission's findings in respect of the Best Value 2 Audit of East Ayrshire Council. A copy of the final Audit report, incorporating the Accounts Commission's findings, is enclosed.
- 1.2 To agree the proposed response to the Accounts Commission's findings and to inform Council of the invitation to meet with representatives of the Accounts Commission.

#### **2. BACKGROUND**

- 2.1 The Local Government in Scotland Act, 2003 introduced statutory duties relating to Best Value and Community Planning. Audit Scotland, working on behalf of the Accounts Commission, is responsible for ensuring that Councils and certain other public bodies meet these duties.
- 2.2 In 2006, as part of Best Value 1, East Ayrshire Council was subject to an Audit of Best Value and Community Planning and received a very positive final report.
- 2.3 In 2007, Audit Scotland started the process of evaluating the effectiveness of the audits, consulting with councils, consumer organisations and the Scottish Government. Following this consultation, an audit framework was produced and proposals for a new audit approach under Best Value 2 were developed.
- 2.4 The Best Value 2 audit approach is intended to be:
  - more proportionate and risk-based, reflecting more closely the particular issues faced by individual councils and their partners.
  - founded on a shared risk assessment process, conducted by Audit Scotland, with colleagues from other local government inspectorates, particularly Her Majesty's Inspectorate of Education (HMIE), Social Work Inspection Agency (SWIA), Scottish Housing Regulator (SHR) and the Care Commission.
  - more focused on impact and outcomes, and the difference the Council and its partners are making for local communities.

- designed to provide a more rounded view of partnership working in a local area, and the difference it is making.

2.5 East Ayrshire Council was one of five Councils to take part in groundbreaking 'Pathfinder' audits to test various aspects of Audit Scotland's proposed approach to Best Value 2 (BV2). The Councils were chosen to provide a mix of geography, size and urban/rural mix, namely:

- Angus Council
- Dundee City Council
- East Ayrshire Council
- The Highland Council
- Scottish Borders Council

2.6 Although designated as 'Pathfinder Audits,' it should be noted that these were full Best Value and Community Planning Audits, and not a reduced or lighter touch process in comparison with either previous years' audits or with what will be implemented in the future.

### **3. THE SCOPE OF EAST AYRSHIRE COUNCIL'S AUDIT**

3.1 Having undertaken the risk assessment for the Best Value 2 Audit, as described in 2.4 above, Audit Scotland scoped its intended BV2 work in East Ayrshire, reporting that:

- East Ayrshire Council has a well established and comprehensive approach to self-evaluation. The Council knows where it performs well and where it needs to improve.
- The Council has clear plans in place to address areas for improvement, and a track record of implementing plans and delivering improvement.
- The Council has had some very recent inspection activity, notably in social services and in services to protect children and young people.
- The Audit Scotland external audit team submitted the final audit report for 2008/09 to elected members and the Controller of Audit in October 2009, covering many areas of Best Value.
- Where the risk assessment did suggest some concerns, with areas for improvement in the provision of adult care services and

commissioning and monitoring of contracts for care services, Audit Scotland acknowledged that the Council already has plans in place to address these issues. Audit Scotland has the opportunity to review progress in these areas with the relevant inspectorates as part of the shared risk assessment process.

3.2 This scoping approach gave Audit Scotland assurance that Best Value audit work within East Ayrshire Council was not required in the following areas:

- Governance and Accountability
- Public Performance Reporting
- Community Engagement.
- Customer Focus.
- Risk Management.
- Asset Management.
- Procurement.
- ICT Management.

3.3 Audit Scotland focused its BV2 coverage of the Council on reviewing and testing the Council's self-evaluation arrangements by considering some key aspects of Best Value, in particular, leadership, partnership working, planning and resource alignment, and performance management.

3.4 The issues identified in the BV2 audit report will inform the Assurance and Improvement Plan for external scrutiny of East Ayrshire Council over the next three years. Local audit and inspection teams will continue to monitor progress.

#### 4. ACCOUNTS COMMISSION FINDINGS

4.1 There are two 'judgements' made on Councils by the Controller of Audit as part of the Best Value 2 Audit process. These are in relation to the '**pace and direction of change**' and the '**prospects for future improvement.**' This differs from the 2006 BV1 audit, which contained no such 'judgements'.

4.2 In terms of '**pace and direction of change**' the Accounts Commission endorsed the Controller of Audit's recommendation that East Ayrshire Council is "**improving well.**" In particular, the audit report commented that:

- The Council continues to build on the strengths identified in the first Best Value Audit report and has made good progress in addressing the issues identified in the agreed improvement plan.

- The Council and its partners have a clear and ambitious vision for East Ayrshire, based on a sound understanding of the area and the needs of local communities.
- The Chief Executive provides strong and clear leadership for the Council. There is a constructive and motivated culture evident both from Elected Members and officers.
- Services generally perform well and the Council has plans to progress areas for further improvement, including some aspects of social services, planning and regeneration. Performance indicators demonstrate improvement overall.
- The Council and its partners are making progress with improving the impact and outcomes for communities, particularly in areas such as community safety and lifelong learning. However, some longer-term outcome indicators remain below the national average, particularly in areas relating to economic regeneration and health.
- The Council and its partners have well developed arrangements for engaging with local communities. Customer satisfaction is generally good but needs some attention in some areas of service delivery, which the Council is now addressing.

4.3 In terms of the Council's ***'prospects for future improvement'*** the Accounts Commission endorsed the Controller of Audit's view that the Council is ***"well placed to deliver future improvements."*** In particular, the audit report commented that:

- The Council has an embedded culture of continuous improvement and a well established and comprehensive approach to self-evaluation and review, which has resulted in improvements to processes and impacts in important areas.
- Partnership working is highly effective, and is helping to deliver improved services.
- Elected Members and senior managers work effectively together and the Political environment is courteous and professional. Improvements to arrangements, such as personal development and performance reporting, provide the opportunity for Elected Members to now increase their role in driving Best Value and scrutinising and challenging performance.

- New performance management arrangements are being rolled out across the Council and are improving access to good quality performance information for managers and Members, helping them to focus on improvement.
- There is a very good level of awareness of what needs to improve. Key areas for improvement, such as performance management, reporting and scrutiny, member development and staff and management development, are already being addressed by the Council.
- Effective arrangements are in place to link service plans with the community plan and budget process.
- Governance arrangements are well developed and, on the whole, effective.

## 5. SECURING CONTINUOUS IMPROVEMENT

5.1 Audit Scotland stated in the audit report that the Council is self aware and knows where changes are required. The audit report recognises the areas for improvement that have already been identified by the Council and acknowledges that arrangements are already in place to deliver the progress that is needed.

5.2 The implementation and monitoring of these improvement areas by the Council will be secured through our strategic overview of:

- the Council-wide Strategic Self Assessment of Performance;
- the Strategic Review of the Revenue Budget - SRRB2 (the Council's Efficiencies Strategy);
- the Single Outcome Agreement Improvement Plan;
- the annual progress update of East Ayrshire's Community Plan, and
- the Council's programme of Best Value Service Reviews.

5.3 The improvement areas that have been recognised by Audit Scotland as contributing to continuous improvement in the future, and that are already being addressed through the improvement plans, are as follows:

- ***Improved alignment of resource planning to strategic priorities***  
The second Strategic Review of the Revenue Budget (SRRB2) has commenced and will focus on strengthening the alignment of resources

to strategic priorities. This work will also include a review of services in relation to priority-based budgeting.

- ***Continued improvement of asset management, workforce planning and long-term financial management:*** All three areas are governed by individual strategies that are being implemented across the Council. Each issue is subject to review through the annual update of the Council-wide Strategic Self Assessment of Performance and all three areas underpin SRRB2.
- ***Continued improvement of service planning with clear links to the Community Plan and the Single Outcome Agreement:*** The Council's new service planning framework was implemented in 2009/10. The accompanying guidance has been reviewed resulting in strengthened links to the East Ayrshire Community Plan and the Single Outcome Agreement.
- ***Increasing Members' role in ensuring continuous improvement and delivering Best Value:*** Members have increased their scrutiny role through Cabinet and the Governance and Scrutiny Committee which has been further strengthened by the outcomes from the review of the Council's decision making structures approved by Council in December 2009. This will see an increased role for elected members in relation policy development and review across the Council, increased frequency of Council meetings and full alignment of portfolios with the Community Plan themes.
- ***Implementation of training needs analysis and personal development plans for Elected Members:*** The Elected Member Learning and Development Strategy and Action plan was approved by Council in June 2009 and implementation is underway.
- ***Continued development of the Council's Electronic Performance Management System (EPMS):*** Electronic performance scorecards for the Chief Executive and for Executive Directors are in place, and the system is used to produce Cabinet and Governance and Scrutiny reports. Development of scorecards for Heads of Service is underway, and enhanced access to performance information for Elected Members, based on the Council's periodic Financial Strategy Report to Cabinet and the Governance and Scrutiny Committee, is currently being progressed.

- **Improving outcomes in relation to economic regeneration and health:** Town centre regeneration has been highlighted as a key strategic objective for the Council, and town centre strategies are being implemented for Kilmarnock, Cumnock and Galston, alongside the work being taken forward with the Prince's Foundation for the Built Environment on the Four Towns Enquiry by Design covering Mauchline, Cumnock, New Cumnock and Auchinleck. In addition, the Council continues to actively support the growth and sustainability of local businesses, ensuring that they are best placed to meet the current economic challenges. The Local Task Force also continues to work with Diageo, Scottish Enterprise and the Scottish Government to deliver the Kilmarnock Recovery Plan. A range of work is also delivered under the auspices of the Skills Development and Employability Service to support individuals develop their skills and move into the world of work. In relation to Health, East Ayrshire is piloting the Integrated Resource Framework and, whilst Audit Scotland recognises that many health related objectives can only be judged longer term, a range of innovative programmes are in place to tackle child obesity, reduce coronary heart disease, tackle alcohol and drug misuse and improve the overall health and wellbeing of the population. A further focus on increasing progress against planned health outcomes has been actioned as part of the Single Outcome Agreement Improvement Plan.

## **6.0 EVALUATION OF THE AUDIT PROCESS**

- 6.1 Audit Scotland is currently evaluating the BV2 Pathfinder process and will be using the findings to make further refinements before rolling out BV2 across the remaining 27 Councils in Scotland.
- 6.2 The Accounts Commission engaged IPSOS Mori to undertake an independent evaluation of the Best Value 2 process through consultation with the five Pathfinder Councils. In the case of East Ayrshire Council, this involved interviewing the Council's three Political group leaders along with the Chief Executive, the then Executive Director of Neighbourhood Services and the Community Planning and Partnership Manager.
- 6.3 In summary, the Council's experience of the BV2 audit process has been positive. In particular, it was found that:
  - The scope of the BV2 audit was more proportionate compared to other inspection and audit work

- The audit team displayed an appropriate level of knowledge and experience.
- The Council's embedded arrangements for performance self assessment informed our response to the BV2 process.
- The audit has reaffirmed the Council's commitment to partnership working and continuous improvement.

6.4 Some of the areas for improvement relating to the audit process that the Council has highlighted to Audit Scotland and the Accounts Commission through the independent evaluation included:

- The clearance process following the completion of the audit lacked consistency and transparency i.e. the draft report had been discussed by Audit Scotland's Quality and Consistency Panel prior to submission to the Council and, therefore, before the Council had the opportunity to review the report for factual accuracy.
- The role of the audit in helping Councils to improve could be further developed.

## **7. INVITATION FROM ACCOUNTS COMMISSION**

7.1 In its letter 29 March 2010 to the Council that accompanied the Best Value 2 audit report, the Accounts Commission invited the Council's leadership to meet with representatives of the Commission and discuss the audit findings. As was the case at the conclusion of the Best Value 1 audit, it is intended that the Council respond positively to this offer.

## **8. CONCLUSION**

8.1 External validation has always been important to the Council to support the process of continuous improvement. It is most reassuring, therefore, that the Council, as with the 2006 BV1 report, has received such a positive BV2 audit report that reaffirms a broad range of key strengths throughout the Council.

## **9. FINANCIAL IMPLICATIONS**

9.1 There are no financial implications arising directly from this report.

## **10. LEGAL IMPLICATIONS**

10.1 East Ayrshire Council has a statutory duty under the Local Government (Scotland) Act 1973, to consider the Accounts Commission's report on the Audit of the Council's position in relation to Best Value and Community Planning. Accordingly, a public notice was published in the local press during the week ending Friday 7 May 2010, advising that the Council would be considering the Accounts Commission's findings at its meeting on 13 May 2010.

10.2 Following consideration of this report by Council, it is a statutory requirement that a further notice is published in the local press advising the public of the conclusions reached by the Council on the Accounts Commission's findings. This notice, which must be approved by the Accounts Commission prior to publication, will appear in the local press in the week ending Friday 28 May 2010.

## **11. COMMUNITY PLAN / POLICY IMPLICATIONS**

11.1 There are no direct Community Plan or Policy implications arising from this report. The report and the Accounts Commission's findings will, however, be submitted to the next meeting of the East Ayrshire Community Planning Partnership Board on 24 June 2010, for information.

11.2 The results of this audit will inform the annual reviews of the Community Plan and the Single Outcome Agreement; the 4-yearly review of the Community Plan strategic objectives, and our annual service plans.

## **12. RECOMMENDATIONS**

12.1 It is recommended that Council:

- (i) welcomes the Accounts Commission's report on the findings of East Ayrshire Council's Best Value 2 Audit noting that the Council has been assessed as "improving well" and is "well placed to deliver future improvements";
- (ii) notes the arrangements that the Council has in place to address the key findings arising from the audit that have been acknowledged by Audit Scotland;
- (iii) agrees the content of this report as the basis of the Council's statutory response to the Accounts Commission;
- (iv) tasks the Chief Executive with making proper arrangements for publishing a notice in the local press, advising the public of the conclusions reached by the Council on the Accounts Commission's findings;
- (v) welcomes the Accounts Commission's invitation to meet to discuss the findings of the BV2 Audit, and remit the Chief Executive to make appropriate arrangements in this regard, and
- (vi) otherwise, notes the terms of this report.

**Fiona Lees**  
**Chief Executive**  
**6 May 2010**

## LIST OF BACKGROUND PAPERS

1. Audit of Best Value and Community Planning - Self Evaluation Briefing Note, (Council's submission document), June 2009.
2. [Best Value 2 Pathfinder Audit - East Ayrshire Council, The Accounts Commission, April 2010.](#)
3. Letter of 29 March 2010 from the Accounts Commission to the Chief Executive.

Any person wishing further information should contact Jim Farrell, Performance, Development and Projects Manager (Tel: 01563 57 6223)

**IMPLEMENTATION OFFICER: Alex McPhee, Executive Director of Finance and Corporate Support**