

Report To: Policy and Resources Committee

Date: 22 September 2009

**Report By: Corporate Director
Improvement and Performance**

Report No: POL/36/09/PW/AS/LF

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Subject: Preparing for Best Value 2

1.0 PURPOSE

1.1 The purpose of this report is to outline for Committee proposals which will assist the Council in preparing for Best Value 2 (BV2).

2.0 SUMMARY

2.1 Audit Scotland have developed proposals for the second phase of Audits of Best Value and Community Planning. All of Scotland's 32 local authorities were given the opportunity to comment on the proposals and influence how BV2 develops.

2.2 A detailed response to Audit Scotland's proposals for BV2 was approved by Policy and Resources Committee in May 2009. Audit Scotland is currently considering feedback from stakeholders with a view to modifying their proposals as appropriate.

2.3 The Framework for BV2 is emerging and the revised audit methodology will be piloted in five Pathfinder Councils. The proposed framework will be based on a corporate self assessment and will be more proportionate and risk based in audit terms.

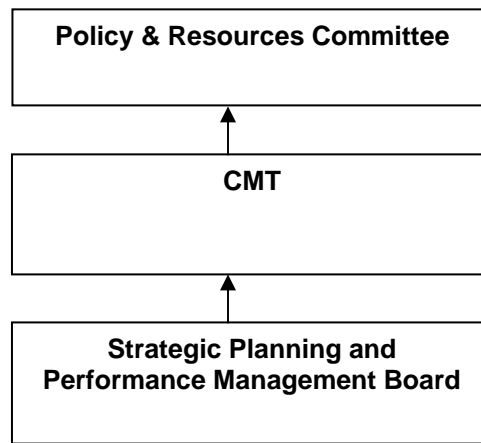
2.4 To support the above Framework, it is likely that Councils will need to produce a robust corporate submission with a supporting evidence base. Attached as Appendix 1 to this report are initial suggestions for the possible content of a BV2 submission.

2.5 In many ways the quality of the preparation and readiness of the organisation will significantly affect the outcomes of the Audit. It is therefore important that the Council begins to prepare now for BV2.

2.6 As part of the Council's preparation there will be a need to:

- Determine the Council's strategic response to BV2.
- Prepare the Council for BV2 with a particular focus on delivering the Organisational Improvement Plan and the Public Service Improvement Framework.
- Take cognisance of previous and planned external audit and inspection reports and their associated outcomes.
- Engage with Audit Scotland representatives as appropriate.
- Prepare the Council's submission as a result of the corporate self assessment process including the documentation and collation of appropriate evidence.
- Ensure the Council receives a fair and balanced audit report with positive outcomes.

2.7 The suggested reporting arrangements are detailed below:



2.8 The Strategic Planning and Performance Management Board will have responsibility for the preparation of the Council's submission for BV2 which will be approved by the CMT and Policy and Resources Committee.

2.9 The Council's strategic response to BV2 will be developed primarily through the implementation of the Organisational Improvement Plan and the application of the Public Service Improvement Framework across all services of the Council by December 2010.

2.10 The Council will pilot a number of the Audit Scotland tool kits to particular areas/themes, on a selective basis. The following areas are being proposed:

- Vision and Direction
- Planning and Resource Alignment
- Competitiveness
- Public Performance Reporting

2.11 Audit Scotland have developed a total of 19 tool kits and it is recommended that the remaining 15 are reviewed by the OIP Reference Groups to ensure that the Council is as well prepared as it can be for BV2.

2.12 Furthermore, reference will be made to the outcomes of the pathfinder audits taking place in the following Councils:

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

Desktop work in relation to the pathfinder audits is now underway with on-site work planned for September / October. An evaluation of the BV2 Framework is likely to take place in December 2009. It is envisaged that reports in relation to the pathfinder audits will be published in early 2010.

2.13 In addition, as part of the Council's preparations for BV2 a central scrutiny register will be established to provide a record of all external audit and inspection activity undertaken at a corporate and service level across the Council.

2.14 The Committee needs to be aware that the Council's Chief Executive and Corporate Director Regeneration and Resources have been appointed by Audit Scotland in the capacity of peer reviewers. This will also involve the officers being part of review team(s) which will conduct an evaluation of other local authorities arrangements for BV2

2.15 Appendix 3 contains a timeline that highlights the key components of BV2 and associated timescales. This will be updated as further information becomes available.

3.0 RECOMMENDATIONS

3.1 Committee is asked to:

- a) Approve the proposed arrangements for preparing for BV2.
- b) Note that the Council will pilot 4 Audit Scotland tool kits in the following areas:
 - Vision/Strategic Direction
 - Planning and Resource Alignment
 - Competitiveness
 - Public Performance Reporting
- c) Agree that the OIP Reference Groups are given responsibility for reviewing the remaining 15 Audit Scotland tool kits by January 2010.
- d) Re-affirm the policy previous commitments to:
 - Apply PSIF to all Council services by December 2010.
 - Deliver programmes and projects detailed within the Organisational Improvement Plan with progress reported to CMT and Policy and Resources Committee through the Corporate Performance Report.
- e) Note the proposal to establish a joint scrutiny register to be maintained and managed by Performance Management and Procurement.
- f) Note the appointment of the Chief Executive and Corporate Director Regeneration and Resources as peer reviewers as per Audit Scotland's arrangements for Best Value 2.

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Corporate Director
Improvement and Performance

4.0 Background

4.1 In 2007, the Accounts Commission began an evaluation of the effectiveness of the Best Value and Community Planning Audits in Scotland. The evaluation included an independent review of progress to date. The review concluded that self evaluation and improvement support needed to feature more strongly in a revised audit framework and that a greater focus on services, outcomes and partnership working was also required.

4.2 The Accounts Commission have proposed a number of principles with regard to BV2, in that it should:

- Focus on outcomes together with key organisational processes
- Place an emphasis on partnership working
- Improve coverage of use of resources
- Become more proportionate and risk based with a focus on self assessment
- Improve audit reporting
- Support improvement and sharing good practice

4.3 To take these principles further the Accounts Commission have, through Audit Scotland, developed an audit framework which will result in a single corporate assessment framework for local government.

4.4 The characteristics for the corporate assessment framework include:

- Vision and Strategic Direction
- Governance and Accountability
- Partnership Working/Community leadership
- Community Engagement
- Performance Management and Improvement
- Use of Resources

4.5 The size and focus of each Council audit will vary to reflect past performance and will be founded on the ongoing shared risk assessment involving all relevant scrutiny bodies which will in turn be updated annually. This will lead to a scrutiny plan for each Council. More information on this aspect is given in section 6 of this report.

5.0 Audit Scotland Tool Kits

5.1 To support the BV2 process, there is a renewed emphasis on improvement. As part of this Audit Scotland have developed a total of 19 tool kits on a range of areas associated with the overall audit. The tool kits will cover the corporate self assessment elements of BV2. For the information of the CMT the 19 tool kits are listed below:

- Vision and Strategic Direction
- Leadership and Culture
- Governance and Accountability
- Planning and Resource Alignment
- Public Performance Reporting
- Partnership Working and Community Leadership
- Community Engagement
- Customer Focus and Responsiveness
- Performance Management
- Efficiency
- Competitiveness
- Risk Management
- Financial Management
- Asset Management

- People Management
 - Procurement
 - ICT
 - Equalities
 - Sustainability
- 5.2 Following discussions with Audit Scotland, Inverclyde Council has volunteered to pilot 4 tool kits over the next year or so. The tool kits are:
- Vision and Direction
 - Planning and Resource Alignment
 - Competitiveness
 - Public Performance Reporting
- 5.3 Subject to guidance from Audit Scotland, the tool kits will be used to assess the Council's current position, highlight strengths and potential areas for improvement. This will inform the Council's approach to its corporate self assessment and supplement the work initiated through the Organisational Improvement Plan.
- 5.4 The Council can be confident that it is already in a strong position with regard to assessing performance and identifying areas for improvement. The development of the Organisational Improvement Plan 2009/12, which was informed by a corporate assessment using the Public Service Improvement Framework, has provided the Council with a strategic framework for continuous improvement over the next three years.
- 5.5 At the heart of BV2 is a commitment to deliver a risk based and proportionate audit. Each Council audit will take a different shape and size depending on issues raised by Audit Scotland and the other scrutiny bodies. The proposed tool kits will be used in this context, some Councils as part of BV2 may need to apply all of the 19 tool kits, others may only have to use a selection, this being dependent upon amongst other things past performance and track record.
- 5.6 It would be extremely valuable to review the other 15 tool kits to ensure the Council is as well prepared for BV2 as it can be. Each of the 5 OIP Reference Groups will be assigned relevant tool kits to review. Please see Appendix 2 for details of the tool kits that each Reference Group will have responsibility for reviewing subject to availability. It is envisaged the tool kit reviews will be completed by January 2010.
- 5.7 The Council has already made progress in a number of areas such as vision / strategic direction and people management which are topics that the tool kits will focus on. This should help to minimise the work that will be required of the OIP Reference Groups in reviewing the tool kits.
- 6.0 Joint Scrutiny**
- 6.1 The Committee will be aware that a Local Government Scrutiny Co-ordination Strategic Group has been established by the Accounts Commission to develop a more coherent and proportionate approach to audit and inspection. An operational group has also been established to undertake the more detailed development work.
- 6.2 The group has developed and issued a joint scrutiny schedule for 2009/10. The schedule is transitional in nature pending the introduction of a more proportionate and risk based regime which will be reflected through the development of BV2.
- 6.3 Given the growing significance of joint scrutiny and its interface with the proposals for BV2 it is incumbent to have corporate arrangements in place to:
- Build up a corporate picture of audit and inspection activity.
 - Have an awareness of the strategic issues and outcomes emanating from the audit/inspection reports.

6.4 It is therefore proposed that as part of the Council's overall preparations for BV2 a central joint scrutiny register be established and maintained by Performance Management and Procurement. This will provide a record of all external audit and inspection activity undertaken at a corporate and service level across the Council. It will also have the added benefit of enabling issues from external audits and scrutiny activity to be monitored.

7.0 Implications

7.1 Finance
None.

7.2 Personnel
None.

7.3 Legal
BV Audits are a product of the Local Government (Scotland) Act 2003.

7.4 Equality/Diversity
None.

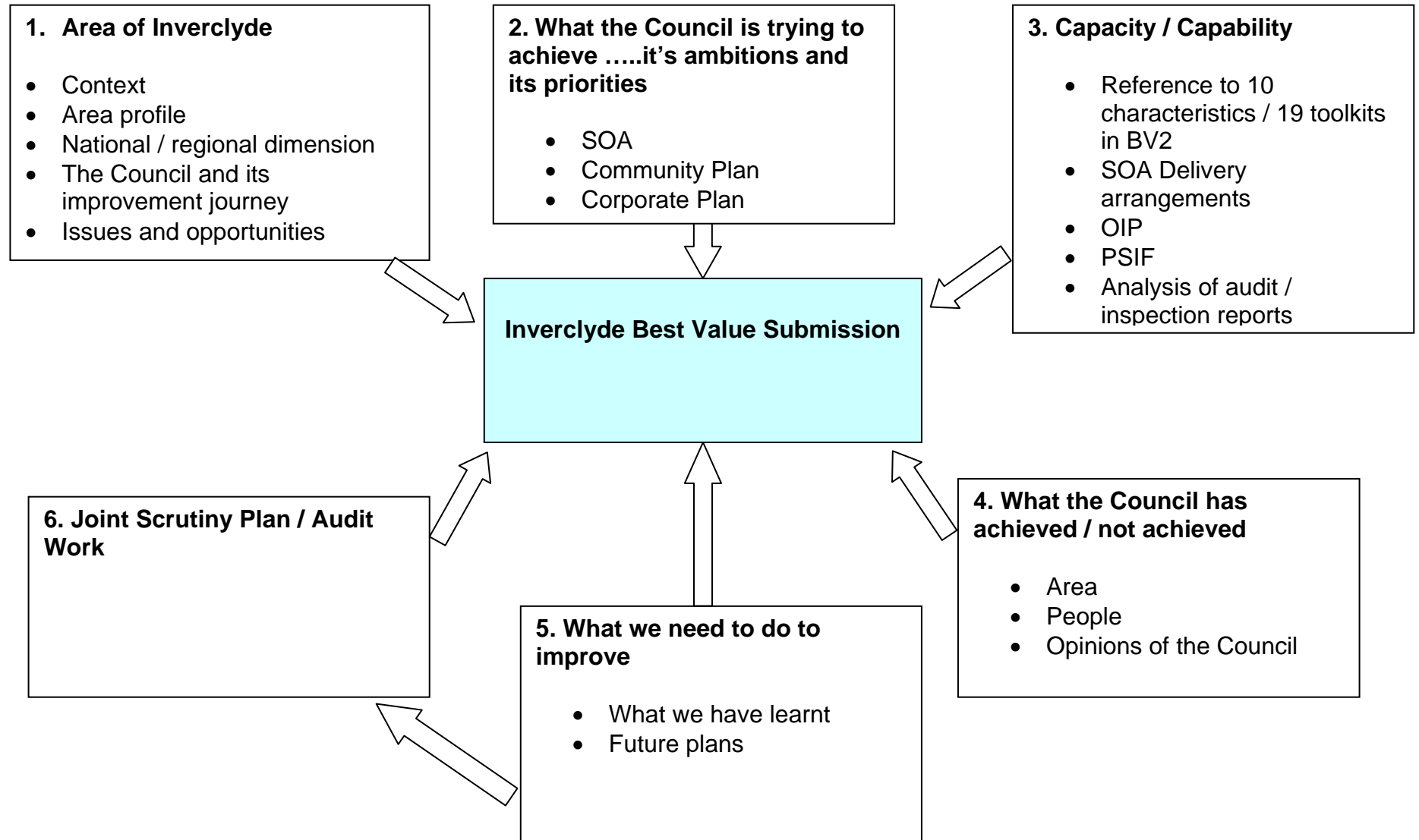
8.0 Consultation

8.1 Consultation was carried out with members of the Strategic Planning Performance Management Board.

9.0 Background Papers

9.1 None.

Appendix 1 – BV2 Submission Content



Appendix 2 - Allocation of Tool Kits to Reference Groups

Leadership, Governance and Management	Organisational Transformation and Improvement	Workforce Development	Strategic Planning and Performance Management	Management of Resources
<ul style="list-style-type: none"> • Vision / Strategic Direction • Leadership / Culture • Governance / Accountability • Partnership working / community leadership • Competitiveness 	<ul style="list-style-type: none"> • ICT • Customer Focus 	<ul style="list-style-type: none"> • People Management 	<ul style="list-style-type: none"> • Public Performance Reporting • Community Engagement • Performance Management • Equalities 	<ul style="list-style-type: none"> • Planning and Resource Alignment • Efficiency • Risk Management • Financial Management • Asset Management • Procurement

*The Sustainability Tool Kit will be reviewed by the Green Charter Working Group.

Appendix 3 – Best Value 2 Timeline

