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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Customer Services
Executive Director: Douglas Hendry



Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604444
DX 599700 LOCHGILPHEAD
e.mail –douglas.hendry@argyll-bute.gov.uk

19 November 2010

SUPPLEMENTARY PACK 1

COUNCIL MEETING 25 NOVEMBER 2010 – COUNCIL CHAMBER 10.00AM

Please find attached item 5 (**Best Value Follow Up Review**) which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director - Customer Services

ITEMS TO FOLLOW

- 5. BEST VALUE FOLLOW UP REVIEW**
Report by Chief Executive (Pages 1 - 18)

COUNCIL

ALL MEMBERS

Contact: Sandra McGlynn Tel: 01546 604401

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ARGYLL AND BUTE COUNCIL**COUNCIL****CHIEF EXECUTIVES****25 NOVEMBER 2010**

BEST VALUE FOLLOW UP REVIEW

1 SUMMARY

- 1.1 The external auditor has recently completed a Best Value follow up review. The report is positive about the Council's progress and notes the challenges facing the Council. There are 2 action points.

2 RECOMMENDATION

- 2.1 Members note the outcome of the Best Value Follow Up Review in particular the positive comments on progress made by the Council.
- 2.2 Members note that the action plan points are being addressed and will be monitored by the Audit Committee.

3 DETAIL

- 3.1 Grant Thornton the Council's external auditors carry out an annual follow up review of Best Value. The review this year has also been influenced by the Assurance and Improvement Plan (AIP) which was reported to the Executive in August
- 3.2 The overall conclusion are positive highlighting:
- Significant and rapid improvement since June 2008
 - The key building blocks for future improvement are now being embedded
 - The new management team are showing the necessary leadership, enthusiasm and commitment to embed a performance culture
 - Work is underway to deliver outcome based performance measures and simplify and strengthen links to the Corporate Plan and SOA.
 - The budget consultation approach has been a positive development.
- 3.3 There are a number of challenges facing the Council:
- The financial challenges facing the Council and all other public sector bodies is noted
 - The Council could do more to ensure citizens are well informed about its performance.
 - Whilst more SPIs have improved by 5% than declined by 5%

there are still some areas of performance the Council needs to improve.

- Although the Council has lower absence rates than most other Councils there was an increase in absence in 2009/10

3.4 There are 2 action points in the report and these are already being addressed:

1. The Council must move to outcome-based performance measures and ensure that there are clear links between the Corporate Plan and SOA. Use of the outcome indicators developed by the Improvement Service will allow the Council to take advantage of benchmarking opportunities.
2. The Council should document its corporate framework for evaluating budget savings options to ensure they fully reflect corporate priorities.

4 CONCLUSION

4.1 The report is positive about the Councils approach on progress. More challenges and action points have been identified. The Council is aware of these and is already taking action.

Sally Loudon
Chief Executive



Grant Thornton

Argyll and Bute Council

Best Value and Community Planning Follow Up Review
November 2010

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1 Key Messages

Introduction

- 1.1 This report summarises the findings of our 2009-10 follow up review of Argyll & Bute Council's arrangements to deliver Best Value and Community Planning. Under the National Scrutiny Plan for Local Government 2010-11, Scotland's scrutiny agencies work together to develop a shared risk assessment and Assurance and Improvement Plan (AIP) for each council area. We have followed up the progress made by the Council, both in addressing the improvement agenda and against specific areas of risk or uncertainty identified by scrutiny partners.
- 1.2 The impact of the economic recession, changing external scrutiny landscape, and need to deliver increased efficiencies means that it is more important than ever that the Council can demonstrate Best Value in its activities and a good understanding of priorities for change.

Overall Conclusions

- 1.3 The Council has been on a significant and rapid improvement journey since the appointment of the Chief Executive in June 2008. The Council has applied a planned and systematic approach to improvement. In light of the challenges facing the Council, initial work centred on the process of delivering services. The key building blocks for future improvement are now being embedded, such as the planning and performance management framework and the transformation programme, which incorporates the management restructure and review of corporate resources, the exploration of shared services, the programme of service reviews and the Best Value agenda. There is evidence that the new management team are working well together and showing the necessary leadership, enthusiasm and commitment required to embed a performing culture across the organisation.
- 1.4 There is evidence that the Council understands and is responding to priorities at a local level, with local community planning and the *Forward Together* programme representing a key strength. Work is now underway to develop outcome based performance measures to monitor progress for citizens. As part of this work, the Council hopes to simplify and strengthen links between the Corporate Plan and Single Outcome Agreement.
- 1.5 The ongoing budget consultation, and aim of delivering a policy-based budget will be a further challenge to the Council, but the honest and detailed information provided to the public should help to generate a positive response.
- 1.6 The Council's service review programme is progressing as planned, and the process has been improved to ensure that findings are robust and lead to quantifiable savings. This is a key step to respond to the financial position and we have noted the improved approach to identifying efficiency savings through a drive to look for radical alternative service delivery models through the Council's new service review guidance. In particular, we note that this approach will link to the council's aim of delivering a policy-based budget that is reflective of council priorities and taking account of changing demands for services.

The Way Forward

- 1.7 It is the responsibility of management to determine the system of best value that is most appropriate to the Council. The Council is currently undergoing a significant level of change as it takes forward its improvement and transformation agenda and we are satisfied that the Council is taking action across the key areas for improvement identified by Audit Scotland, and the scrutiny partners' Assurance and Improvement Plan. The prospects for future improvement therefore remain good.

Acknowledgements

- 1.8 We would like to take this opportunity to thank the staff who have been involved in the 2009-10 audit for their assistance and co-operation.
- 1.9 This report is part of a continuing dialogue between the Council and Grant Thornton and is not, therefore, intended to cover every matter which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses or inefficiencies in the Council's systems and work practices.
- 1.10 The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it.

Grant Thornton UK LLP
November 2010

2 Findings in 2009-10

Background and Scope

- 2.1 The Local Government in Scotland Act 2003 established best value and community planning as statutory duties for local authorities. The Accounts Commission published the first report on the audit of Best Value and Community Planning at the Council in February 2006. A further report was issued in December 2008 which found that the Council had made progress in a number of key areas, including corporate leadership and strategic direction. Our follow up report in 2009-10 found that the Chief Executive's transformation strategy and improvement plans had increased the pace of change and the Council's prospects for future improvement were regarded as good.
- 2.2 During 2009-10, the Accounts Commission developed a new "Best Value 2" (BV2) approach, which introduces a risk-based and proportionate approach to the audit. The framework is based on:
 - strong baselines
 - robust measures of performance
 - challenging targets
 - comparability with others.
- 2.3 The new framework will also assess mechanisms and levels of public engagement achieved to date. The new approach will be rolled out across all 32 councils in Scotland. The timing of Argyll & Bute Council's inspection will be determined by the shared risk assessment agreed by external audit and inspection bodies.
- 2.4 Under the National Scrutiny Plan for Local Government 2010-11, Scotland's scrutiny agencies work together to develop a shared risk assessment and Assurance and Improvement Plan (AIP) for each council area. As part of our 2009-10 audit, we have followed up the progress made by the Council, both in addressing the improvement agenda and against specific areas of risk or uncertainty identified by scrutiny partners, including:
 - managing people
 - asset management, with particular concerns noted around school estates and roads
 - performance improvement.
- 2.5 Our findings will inform the shared risk assessment and Assurance and Improvement Plan for 2010-11. This report therefore sets out:
 - an evaluation of progress against the improvement agenda
 - an assessment of the prospects for future improvement.

Key Findings from the Shared Risk Assessment

- 2.6 The LAN's assessment of the Council was largely positive, and the level of proposed scrutiny activity is therefore minimal. In particular, the Council has made good progress in performance management and in responding to the financial climate. At the time the AIP was issued, it was too early to assess the effectiveness of some of the strategies put in place. The LAN also noted that it was difficult to evaluate outcomes against strategic objectives and further work was required to strike a balance between quantitative and qualitative measures used in the Corporate Plan or Single Outcome Agreement (SOA).

Setting a clear direction

- 2.7 The Council has recently approved a new vision and supporting values for the area which will form the basis of the revised Corporate Plan, Community Plan and SOA following a period of consultation. The vision was developed by elected members, employees and representatives from the community in light of the changing external and internal environment and following concerns that the previous "Leading Rural Area" vision was confusing and ambiguous. We understand that feedback to date from community groups and partners has been positive.

Figure 1: Proposed Vision and Values for Argyll & Bute

<p>Vision</p> <p>Argyll & Bute: Realising our Potential Together</p> <p>Values</p> <ul style="list-style-type: none"> • We involve and listen to our customers and communities • We take pride in delivering best value services • We are open, honest, fair and inclusive • We respect and value everyone.

- 2.8 Evidence from the Autumn 2009 Citizens Panel survey suggests that it is more difficult to set priorities for the council area as a whole. The survey identified four key services that make somewhere a good place to live; health services, education provision, affordable decent housing and the level of crime. However, there were variations across areas within the council boundary, reflecting differing local priorities. This presents a greater challenge to the Community Planning Partnership to meet the needs of the population as a whole.
- 2.9 To acknowledge and respond to differing local demands, the Council and its Community Planning Partners have developed an approach to Community Planning and Engagement that involves local people in community planning, aligning community capacity building directly with Community Planning processes. This complements the increasingly focussed and strategic approach to Community Planning. This includes the development of Local Community Planning Groups, a Community Engagement Strategy, and the delivery of local *Forward Together* events in each of the four areas of Argyll and Bute. The most recent round of events has focussed on agreeing priorities in response to the financial position of public sector budgets and review of local plans within this context.

Forward Together

- 2.10 The Community Engagement Strategy identifies two key roles for engagement, improving services, and agreeing priorities to respond to the financial position. The Council has produced a comprehensive budget consultation document, *Difficult Choices for Difficult Times*, which members of the Strategic Management Team presented at the Forward Together events to stimulate public responses to the debate. The budget consultation explains what the Council spends money on, how this compares to national averages and highlights options for savings with each service. Timescales for response to the consultation have been set to allow feedback to inform the 2011-12 budget process. Community Planning Partners also presented budget information to these Forward Together events to enable the public to engage in wider public discussions.

Performance against current priorities

- 2.11 The Council is revising its corporate plan for 2010-13 in line with the changing external environment, feedback from the ongoing consultation with stakeholders and to underpin the newly agreed vision for the area. The Council and its partners are taking the opportunity to revise the Community Plan, amalgamating it with the SOA. The Council is also refocusing the plans by making them more outcome based.
- 2.12 Work has begun on identifying outcome measures, including proposed seminars with elected members. This should allow the Council to report more clearly on how their actions benefit local communities, and will therefore help shape future service delivery and performance. The Improvement Service has developed a menu of outcome indicators with definitions to help in this respect. Use of nationally agreed indicators may help the Council compare performance nationally through benchmarking groups. The Council will also ensure that the priorities identified during the budget consultation are aligned and a clear link established between the Corporate and Community Plans.
- 2.13 The current SOA progress report highlights a number of areas of success in 2009-10 (Figure 2). It is difficult to conclude on overall performance in the absence of outcome measures, but the actions the Council has planned to take to address areas of concern such as the waterfront and town centre regeneration programme and development of a schools estate strategy appear to be on course. There remain some key challenges including:

- the network road condition and transport infrastructure projects
- reducing the Council's CO₂ emissions
- increasing the recycling rate for household waste.

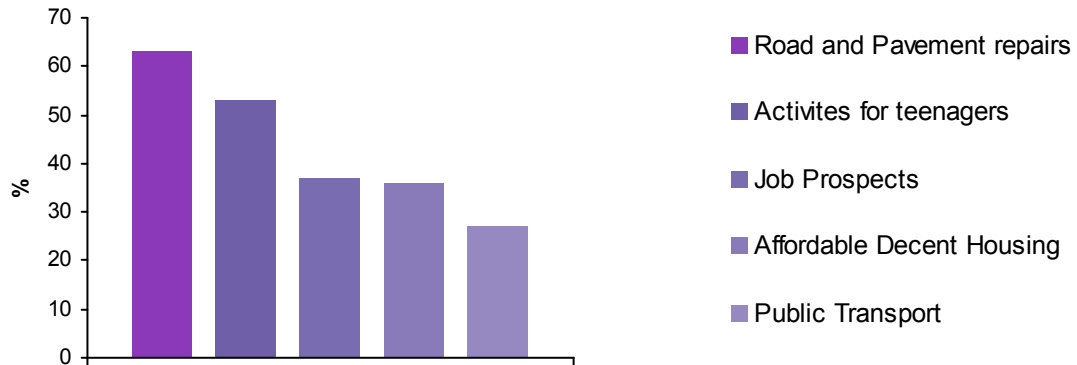
Figure 2: Some of the successes identified in the SOA Progress Report

- | |
|--|
| <input checked="" type="checkbox"/> Increased business start up rates
<input checked="" type="checkbox"/> Improvements in educational attainment
<input checked="" type="checkbox"/> Target number of shared equity and social housing achieved
<input checked="" type="checkbox"/> Reductions achieved in rate of repeat homelessness cases
<input checked="" type="checkbox"/> Reductions achieved in serious road accidents
<input checked="" type="checkbox"/> Increases noted in community bus passengers. |
|--|

Source: Argyll & Bute SOA Progress Report, September 2010

- 2.14 Recent consultation with the Citizen's Panel found that the public generally agree with the Council's assessment of areas for action. Of the top five areas identified as requiring action, only activities for teenagers is an area where improvement is not monitored within the SOA.

Figure 3: Areas identified as requiring improvement by the Citizen's Panel

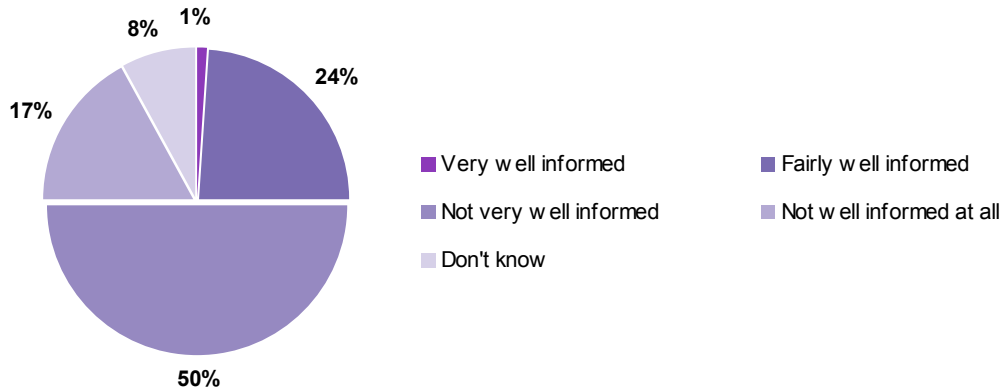


Source: Argyll & Bute Citizens Panel Consultation, Autumn 2009

Performance Reporting

- 2.15 Under the Planning and Performance Management Framework (PPMF), the Executive receive quarterly updates on service and council performance using the Pyramid balanced scorecards. There are links between the Council Scorecard and the SOA, although not currently explicit. The work the Council has undertaken to develop Community Planning Scorecards may help to bridge this gap. Moving to outcome measures will also help the Council to identify the key areas of performance that should be reported to Council on a regular basis, by selecting a revised basket of indicators that reflect local priorities.
- 2.16 The quarterly scorecards are one of the key methods the Council uses to report on performance to the public. The Council's Public Performance Reporting Framework also includes other methods such as a leaflet highlighting key achievements of the past year, and plans for the next, which is routinely enclosed with every household's Council Tax bills. An annual performance report is also published and is available on the council's website, Customer Service Points, and libraries. However, as Figure 4 highlights, consultation with the citizens panel found that the majority of the public (67%) do not feel well informed about the performance of local public services.

Figure 4: Argyll & Bute residents do not feel well informed about how local public services are performing



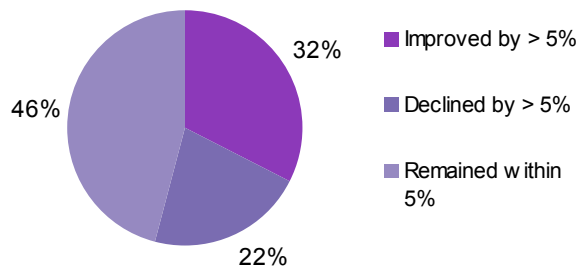
Source: Argyll & Bute Citizens Panel Consultation, Autumn 2009

2.17 Research by the Department for Communities and Local Government¹ suggests that the most preferred method of receiving performance by citizens is via a newsletter to be delivered to every household. The same research found that respondents believed that an improvement in performance information would lead to an improvement in services. The Council's Communications Strategy and related action plan, in addition to the Public Performance Reporting Framework and Community Engagement Strategy, recognises the clear role for additional communications to improve understanding and perceptions of the Council's performance. The Council's own cost benefit analysis has concluded that the most effective way to supplement the annual report is to create a performance section on the website to report service performance scorecards.

Statutory Performance Indicators

2.18 Figure 5 analyses the 2009-10 nationally specified statutory performance indicators and records variations in performance across services. We noted that the Council has made significant improvement in areas such as the level of home care service provided to elderly people and the performance of the homelessness service, despite the impact of the recession.

Figure 5: Overall performance against specified SPIs



¹ Reporting Performance Information to Citizens, Department for Communities and Local Government, July 2008

Source: Argyll & Bute Statutory Performance Indicators

- 2.19 However, performance has declined against a number of indicators, including asset management, roads carriageway condition and sickness absence rates. The Council has a revised asset management strategy in place to respond, which is supported by the schools estate review and specific service reviews such as roads. A systematic approach is now being taken to address attendance management across the Council.

Responding to the Financial Position

- 2.20 Like the rest of the public sector in Scotland, Argyll & Bute Council faces significant budget cuts over the next three years. The AIP recognises that the Council must also meet the challenge of a changing population. Children and young people account for less of the population than those nationally, and the SOA reports that attempts to increase the net in-migration have not been successful to date. This places pressure on the Education Service, and statutory performance indicators have historically confirmed that school occupancy rates are among the lowest in Scotland, particularly for primary schools.
- 2.21 Conversely, the Council's elderly population is expected to increase more rapidly than the rest of Scotland. This will create additional demand for home help and adult social work services.
- 2.22 Although the scale of public sector budget cuts is not yet known, the Council's scenario planning has identified a budget shortfall of between £9million and £13million in each of the next three years. The Council has a range of approaches, through its transformation programme, to meet the budget deficit. This includes the Council's ongoing third phase of modernisation, its service review programme and its shared services project (led by the council and managed in conjunction with various partners). As part of all the transformation activities, consultation and community engagement are also being used to inform the budget setting exercise and the service reviews.

Transformation Programme

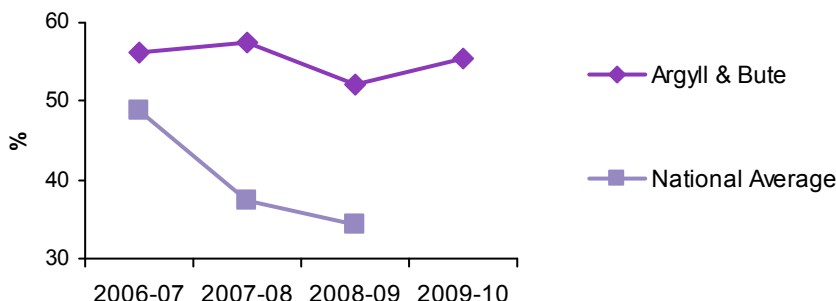
- 2.23 All major change programmes undertaken by the Council, whether to modernise working practices under the Improvement Plan, or make efficiency savings and share services to meet the budget deficit, are managed by a Transformation Board. The Transformation Board operates at officer-level, but elected members are involved in the work on transformation through the budget working group and budget seminars organised to involve elected members at a wider level. Progress reports are also presented to the Executive.
- 2.24 To date, through the modernisation strand of its transformation programme, the Council has successfully implemented a revised management structure to reduce the number of directors from 4 to 3, and the head of service posts from 15 to 12. It is estimated that this has achieved savings of £370k per year. There is evidence that the new management team are working well together and showing the necessary leadership, enthusiasm and commitment required to embed a performing culture across the organisation.
- 2.25 The Council is reviewing its management and staffing structures to ensure a consistent approach to is applied across the organisation, underpinned by a common set of design principles, and taking account of the requirement for

centralised / decentralised service delivery. A review of administrative functions is also planned to ensure the efficient and effective use of administrative resources across the organisation.

- 2.26 Through the service review strand of the Council's transformation programme, the majority of Council services have now been subject to a review. The aim of the review is to consider the baseline budget of each service, benchmark services with similar service provisions, identify future challenges and cost pressures. A project team is appointed to perform each review and this is led by the head of each service. During 2010, service review guidance and challenge was improved to ensure that the reviews are more effective. Each service has been tasked with identifying options to achieve a saving of 15% over three years as part of the reviews in order to provide elected members with a range of options for transformed service delivery to meet budget requirements. The reviews are overseen by the transformation board in order to ensure a coordinated approach, to foresee joint opportunities from one review to another and to avoid negative impacts of outcomes of one service review on other services. Updates are provided regularly to the Budget Working Group to ensure that senior elected members are up to date with, and able to contribute to progress and options.
- 2.27 However, feedback from the budget consultation may identify areas for prioritisation or protection and the Council will feed these into the budget process. We note that the Council has explored alternative methods of service delivery through its service reviews to identify further potential savings and also through the shared services stream of its transformation programme.
- 2.28 The Council and its community planning partners have recognised that the challenges facing Argyll & Bute are unique. The lack of co-terminous boundaries with other public sector bodies and geographical remoteness means that attempts to develop shared services have been difficult. For example, the Council has worked with six other councils, known as the North of Scotland Local Authorities (NoSLA), to evaluate potential models for a future for council tax, non-domestic rates and council tax and housing benefits shared service delivery. Unfortunately the bid for the required capital investment to make the project viable was refused by the Scottish Government. The Council is therefore taking forward the shared services agenda through two streams. The first covers the Argyll and Bute area (incorporating police, fire, health/Community Health Partnership) and the second covers the Argyll and Bute and Highland areas (incorporating Argyll and Bute Council, Highland Council and NHS Highland). However, the Council is also in discussions with other authorities outwith Highlands and Islands to identify additional opportunities.
- 2.29 A list of shared services options has now been compiled for each of the streams and the council has schedules setting out areas identified as being worth early pursuit, having longer term objectives, or not currently worth pursuing. The options will be taken forward under three categories - leadership, front line service delivery and support services.
- 2.30 The Council needs to allow some flexibility to take account of variation, particularly where services are currently under-performing. For example, the SOA Progress Report 2009-10 notes that the network road condition indicator continues to deteriorate (see Figure 6). A number of transport infrastructure projects have not been completed in year due to funding restraints or difficulties in obtaining necessary land. Only 16% of the Council's citizens panel said they were satisfied with the roads service as it is now. The service review will be key to the long

term planning of the roads network. In a period of budget cuts clearing such a significant backlog will present a considerable challenge.

Figure 6: The Proportion of the Roads Network requiring maintenance is deteriorating



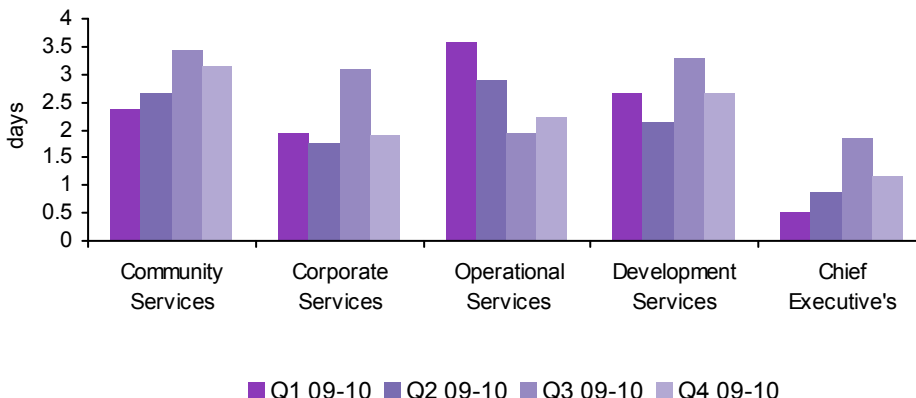
Source: Statutory Performance Indicators 2006-07 to 2009-10, Audit Scotland

2.31 The Council is also implementing the Public Service Improvement Framework (PSIF) to pursue continuous improvement within services. A robust programme of self-assessment, managed by the Project Board, will mean that the Council is well-placed to meet future scrutiny requirements. One of the key elements of the PSIF process is a good understanding of the needs of customers, and an ongoing dialogue of reporting and learning between services and their customers.

Managing People

2.32 In its shared risk assessment, the LAN note concerns around the development of managing people arrangements. The Council is also undertaking an ongoing review and reconfiguration of structures and has recently invited staff to apply for voluntary severance. We note within paragraph 2.18 that sickness absence rates declined during 2009-10, particularly for teaching staff. The Council's quarterly scorecards highlight variations across services (Figure 7). The Council has arrangements in place to respond to increases in sickness absence rates.

Figure 7: Sickness absence rates are rising, but vary across service



Source: Quarterly Performance Scorecards Submitted to the Executive

- 2.33 During the year, the Strategic Management Team has taken a number of steps to ensure that staff are kept informed of developments through improved internal communications. A formal cascade approach has been adopted to ensure that team meetings happen fortnightly throughout services, and that all staff are kept up to date with significant developments. Updates are provided in the staff newsletter, *work4ce* and on the hub, the council's intranet site recently developed and introduced to improve information for employees, as well as accessibility to resources, key documents and toolkits . The Council is also implementing a communications plan directly from the Chief Executive, which includes blogs, Chief Executive email announcements (which invite two-way communication between the Chief Executive and employees), the Chief Executive's column in *Work4ce* and face to face events such as the Strategic Management Team area road shows.
- 2.34 Evidence from a recent employee survey also suggests that staff are showing resilience throughout the changes. 78% of those surveyed reported that they were generally happy with their job and 60% felt that team meetings kept them well informed. Two thirds of staff had received work related training in the year. This includes a leadership development programme, and the Council has adopted the Customer Service Professional programme for all customer facing staff.
- 2.35 The employee survey has identified a number of key areas for development. These include a lack of awareness about key corporate strategies such as the corporate plan and improvement plans. Only 40% of staff felt well-informed about decisions that affect their department. The Council has identified a number of approaches to address these areas, as outlined above in paragraph 2.31.

Conclusion

- 2.36 Our overall conclusion is that the Council is continuing to make good progress in delivering best value for its citizens and, therefore, we regard the Council's prospects for future improvement as good. There remain some key challenges ahead however, particularly around how the council measures and reports the outcomes and impact from its service provision, the effective prioritisation of services in the context of significant cuts to public sector funding and how the Council continues to work effectively with its partners.

Grant Thornton UK LLP
October 2010

A Action Plan

Rec. No.	Para Ref	Recommendation	Council response	Implementation date and responsibility
1	2.12	The Council must move to outcome-based performance measures and ensure that there are clear links between the Corporate Plan and SOA. Use of the outcome indicators developed by the Improvement Service will allow the Council to take advantage of benchmarking opportunities.	We are currently developing outcome based indicators for the Corporate Plan and work is in hand to embed clear links between the SOA and Corporate Plan. Consideration will be given to the Improvement Service Indicators and they will be used where they are appropriate for Argyll and Bute.	Head of Improvement and HR April 2011
2	2.26	The Council should document its corporate framework for evaluating budget savings options, to ensure they fully reflect corporate priorities..	A draft has been prepared and this will be finalised during the planning and budgeting process.	Head of Strategic Finance February 2011



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