

# Performance management and planning audit

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*“Performance management and planning (PMP) is fundamentally about establishing clear standards and targets for all activities; identifying where and how improvements can be made; and reporting on performance.”*

SODD 12/98

**Best Value**

Best Value requires councils to develop a performance management and planning (PMP) framework. Scottish Office Circular 12/98 stated that the audit process would be used to cover the quality and content of all parts of the PMP framework by May 2000.

The PMP audit will assess the extent to which councils have in place at service level a framework to address four key questions:

- Q1 How do we know we are doing the right things?
- Q2 How do we know we are doing things right?
- Q3 How do we plan to improve?
- Q4 How do we account for our performance?

Each council’s progress in developing this framework will be audited at service level this year under the Commission’s statutory duty to assess a council’s management arrangements for securing value for money.

This audit guide sets out the background to the audit and details the scope, tasks and reporting of the audit.



### **Best Value in Scotland**

Best Value was introduced in Scotland in 1997. Following the election of the Labour Government in May 1997, a Best Value Task Force was established to develop the framework and timetable for introducing Best Value in Scotland and replacing compulsory competitive tendering (CCT). The Best Value Task Force included representatives of The Scottish Office, the Convention of Scottish Local Authorities (CoSLA) and the Accounts Commission.

The Best Value Task Force has issued three reports which set out in increasing detail the requirements of Best Value.

#### **First Best Value Task Force Report**

The first Best Value Task Force report was issued on 4 July 1997 and set out the principles and essential elements of a Best Value approach to managing and delivering services in local government. The report set out four key principles which underpin best value:

- accountability
- transparency
- continuous improvement
- ownership.

The report also set out the essential elements of best value:

- sound governance
  - customer/citizen focus
  - sound strategic management
  - sound operational management
  - sound financial management
- performance measurement and monitoring
- continuous improvement through competition and other tools
- long-term planning and budgeting.

#### **Best Value Plans**

A three-year plan for the development of Best Value in Scottish councils was set out and each council had to submit a Best Value implementation plan to The Scottish Office detailing how they would implement the principles and elements of Best Value.

## **Service Reviews**

Every Scottish council is also committed to a fundamental review of all their activities over a three to five-year period. Service review approaches should be based on the Four Cs: Challenge, Compare, Consult, Compete. Through service reviews, councils should examine:

- what they do
- how they do it and
- why they do it.

They should also compare their performance with other councils or bodies who provide similar services, including the private and voluntary sectors where appropriate. Service reviews should help ensure continuous improvement in the delivery of all council activities.

## **Second Best Value Task Force Report**

In February 1998, the Secretary of State announced that he was satisfied with the level of commitment shown by authorities and that the CCT moratorium would continue for a further year, to 1 July 1999.

The second Best Value Task Force report was issued in July 1998 (SODD 12/98). It proposed that a council delivering best value will have:

- an established performance management and planning (PMP) framework which delivers continuous improvement
- a clear commitment to the four “Cs” ie challenge, compare, consult, compete
- a rigorous approach to analysing service delivery mechanisms/processes and
- consistency with the four key principles of best value.

The second Best Value Task Force report also set out four questions which councils’ performance management and planning frameworks should enable them to answer:

## **The four PMP questions**

- Q1 How do we know we are doing the right things?**
- Q2 How do we know we are doing things right?**
- Q3 How do we plan to improve?**
- Q4 How do we account for our performance?**

The report also set out the requirement to develop public performance reporting to account for council performance to key stakeholders on a timeous and meaningful basis and to increase public accountability.

## Best Value audit findings 1998

### 1998 Appraisal round

Between September and December 1998 the first appraisal of progress on Best Value was undertaken. The appraisal round involved external Auditors and Scottish Office Departments and Inspectorates. Auditors assessed progress against Best Value implementation plans and management arrangements action plans. The Scottish Office and Inspectorates assessed service reviews and value for money in CCT services.

The Commission reviewed the audit returns and presented its conclusions at a seminar for all authorities at The Scottish Office in April. These are set out below.

### Key findings

Before Best Value was introduced there were significant differences among the new councils in:

- the coverage and quality of corporate and service plans
- identification and monitoring of local performance information
- frequency and rigour of financial and performance reporting
- budgetary control arrangements
- the application of management arrangements module 1.

The 1998 audit demonstrated that following the introduction of Best Value, these differences remained and in some cases the gap between councils had increased. Some of this can be explained by the impact of reorganisation, such as reductions in key personnel and difficulties integrating procedures and systems which varied considerably between authorities.

### Slippage

**Best Value implementation plans varied widely in scope and content and there was considerable slippage against original targets.** The challenge for councils is to manage slippage effectively and ensure that progress continues to be made on improving core systems and processes across all services.

### Corporate commitment

**The audit found that there was widespread corporate commitment to the principles and elements of Best Value, but that awareness needed to be extended and embedded in service departments.** Engaging members in best value was proving to be a challenge.

**Customer/citizen focus**                      **Considerable efforts were being made on customer/citizen focus initiatives and there was evidence of innovative practice in many councils.** However, it was too early to see the results of these exercises in service delivery. Areas for future development identified included the strategic management of customer service initiatives across councils and developing ways of evaluating customer/citizen initiatives.

**Sound governance**                      **Corporate and service planning had progressed considerably since reorganisation, but 40% of DLO/DSOs were not covered by business plans.** There was scope to improve links between corporate planning, service planning and budget processes and to develop effective performance management and planning frameworks. A challenge for councils is to ensure that corporate approaches are embedded across all service areas.

**Performance information and benchmarking**                      **The audit found that although there had been some progress in developing local performance information, the extent and scope of progress varied widely across services and within councils.** This was also an area where there had been considerable slippage against targets. Developing and resourcing good performance information and reporting systems still remained an issue for many councils and this was highlighted again in the overview of DLOs and DSOs. Although data benchmarking activity had increased, there was still a requirement for councils to improve their benchmarking capacity and focus.

**Service reviews**                      Scottish Office Departments (now the Scottish Executive) and Inspectorates reviewed a sample of councils service reviews. Their conclusions were that:

- the quality of service reviews was variable within councils
- the scope of service reviews was also highly variable
- the absence of good performance information is a major barrier to progressing reviews
- benchmarking is often too limited in scope
- more could be done to involve members and the public in service reviews.

These findings were also fed back to councils at the April seminar in the Scottish Office.

All of the above findings have helped to shape this year's audit focus.

## Future of Best Value

The Best Value Task Force has now issued its third report which forms the basis of a consultation document - *Best Value in Local Government long term arrangements, interim conclusions of the Best Value Task Force*.

The report sets out key questions about developing Best Value in the longer term, including:

- the legislative framework for Best Value
- the role of audit and inspection
- the implications of the new Scottish Parliament.

The Best Value Task Force will report on the results of the consultation in its final report to the new First Minister and CoSLA in the autumn.



### Scope and objectives of the audit

#### Scope

The performance management and planning (PMP) audit will be applied this year at service level in all councils. Three service areas will be audited.

Auditors should agree with the Chief Executive the service areas that will be audited. Given the different structures and organisation of councils, it is not possible to prescribe from HQ what will constitute a service area. Decisions about the level of application could be based on:

- the organisational structure of the council
- the existence of a distinct service plan
- a clear and existing management and reporting structure
- areas of service review activity.

Selecting service areas is considered in more detail in *Section 4: Getting Started*.

#### Objectives

The PMP audit has three main objectives:

- to provide independent external assurance that councils are making progress on implementing PMP frameworks
- to identify good practice and areas of concern
- to ensure that services are planning for improvement.

The audit will assess:

- the extent to which a performance management and planning system is in place
- the evidence for improvements in service delivery and/or service management that have been achieved as a result
- the service's planned improvements to its PMP framework, against which progress will be audited in future years.

Each service area selected for audit will be required to prepare a written submission that covers ten criteria grouped under the four PMP questions (see below). This will form the basis for the audit. The written submission will focus largely on how well the service currently meets the PMP criteria and the achievements the service has made to date. Best Value also demands continuous improvement. The submission will therefore also include a list of planned improvements to the service's PMP framework.

**Fig 1: A summary of the PMP criteria**

<b>Q1</b>	<b>How do we know we're doing the right things?</b>
1	We understand the needs, expectations and priorities of all our stakeholders
2	We have decided on the best ways to meet these needs, expectations and priorities
3	We have detailed plans for achieving our goals
4	Our plans are clearly based on the resources we have available
<b>Q2</b>	<b>How do we know we're doing things right?</b>
5	We make best use of our available resources
6	We make best use of our people
7	We monitor and control our overall performance
8	We have sound financial control and reporting
<b>Q3</b>	<b>How do we plan to improve?</b>
9	We actively support continuous improvement
<b>Q4</b>	<b>How do we account for our performance?</b>
10	We provide our stakeholders with the information they need about our services and performance and listen to their feedback

## **Manager's Guide**

The Commission has produced a "Manager's Guide" to the PMP audit has been produced. This sets out:

- the audit process
- the PMP criteria
- the submission requirements
- features of a Best Value service.

The purpose of the Manager's Guide is to provide managers with an easy reference document during the audit. It does not provide any detail on the audit focus and audit tasks.

Managers completing a service submission should be given a copy of the Manager's Guide **and this Audit guide** because the additional detail it contains will assist them to prepare their submissions.

## **Carrying out the audit**

There are three distinct stages to the audit:

- getting started
- main audit
- feedback and reporting.

## **Getting started**

The main objectives for the first stage are:

- to inform the council about the audit and the approach being taken
- to agree coverage and timing of the audit.

Advice on how to set up the audit is provided in *Section 4: Getting Started*.

## **Main audit**

The second stage involves the audit of PMP submissions. Guidance is given in *Section 5: The Main Audit*. Audit templates are provided for each of the criteria. Within the PMP criteria, five areas are looked at in greater detail:

- consultation
- service planning
- performance reporting
- benchmarking
- service review.

## **Audit templates**

Audit templates are included for each of the PMP criteria. These should be completed and copied to the service, to form the basis for discussion. Completed templates should also be copied to MSU.

## **Feedback and reporting**

The audit requires four separate reports: one for each service audited and a summary report for the Chief Executive.

When the audit of a service's submission is complete, the auditor should forward a copy of the completed audit templates to the service manager(s) in advance of the feedback meeting. The auditor should summarise any findings that will be made in the audit report and discuss these at the meeting. Planned improvements should be discussed and agreed and included in the report to the service.

When all three service submissions have been audited and reported on, the auditor should prepare a summary report for the Chief Executive including:

- the coverage of the audit
- any corporate issues that have emerged
- copies of the reports given to services.

Key findings should also, of course, be summarised in the final report to members. *Section 6: Feedback and Reporting* provides guidance on preparing agendas for feedback meetings, a suggested structure for audit reports and a report checklist.

**Copies of all reports should be forwarded to MSU as they are completed and no later than 31 March 2000.**

## **Staffing and resource issues**

### **Skills**

The PMP audit will involve detailed and informed discussions about complex issues with senior managers in the council. Good communication and analytical skills are therefore essential. Experience of engaging in high level discussions with Chief Executives and Directors/Heads of Service is essential. Detailed knowledge of the council is also essential. Previous experience of Best Value and management arrangements audits is highly desirable. These parts of the audit should be undertaken by Chief Auditor/Partners/Senior managers only.

The audit involves sample checking of evidence which could be undertaken by more junior staff.

The audit templates involve the auditor in making judgements on whether specific elements of a PMP framework are in place. This should be undertaken or reviewed by the lead auditor.

### **Audit time**

The set up of the audit may take around two days. The bulk of the audit time will be spent reviewing the submissions and sample checking the evidence. The remainder will be spent in discussion and feedback with services and reporting. An indication of the number of days to allocate to each part of the audit is give below.

<b>Phase of Audit</b>	<b>Number of days</b>
<b>1 Getting started</b>	<b>2</b>
Setting up the audit: <ul style="list-style-type: none"> <li>• Discussion with Chief Executive</li> <li>• Discussion with each service area</li> </ul>	0.5 0.5 x 3
<b>2 Main audit</b>	<b>39</b>
Reviewing submission and sample checking evidence	13 x 3
<b>3 Feedback and reporting</b>	<b>9</b>
Feedback to service managers	0.5 x 3
Audit completion	1 x 3
Reporting: <ul style="list-style-type: none"> <li>• service areas</li> <li>• Chief Executive</li> </ul>	1 x 3 1
Feedback to Chief Executive	0.5
<b>Total</b>	<b>50</b>

## **Audit support**

Audit support will be provided by MSU.

Alan Neilson	0131 624 8420
Diane McGiffen	0131 624 8447
Derek Stewart	0131 624 8449
Mik Wisniewski	0131 624 8448

The following support is available:

- answering queries on this guide or the audit as it develops
- reviewing one agenda for meeting with service managers and submission per audit
- reviewing one draft report per council.

MSU will be tracking the progress of the audit and may contact Auditors to discuss the audit. The aim of these discussions will be to assess whether the audit is progressing as anticipated.

## **QCR**

A detailed quality review of the audit will be undertaken by Accounts Commission HQ.

<b>Key stages of the audit: summary</b>	
<b>Getting started</b>	
15 <sup>th</sup> and 17 <sup>th</sup> September 1999	1 MSU workshops for Auditors on PMP audit.
September 1999	2 Auditor meets with council to agree audit coverage and timing. Details of agreed coverage and timing copied to Accounts Commission HQ.
	3 Copy of PMP manager's guide and audit guide passed to nominated services.
	4 Service areas prepare submissions.
<b>Main audit</b>	
	5 Submissions passed to auditor.
	6 Auditor reviews each submission across all criteria: <ul style="list-style-type: none"> <li>• checks that submission has been fully completed</li> <li>• completes audit templates and sample checks evidence</li> <li>• notes potential areas of concern</li> <li>• reviews list of proposed improvements.</li> </ul>
<b>Feedback and reporting</b>	
	7 Auditor provides each service with a copy of completed audit templates which will be the basis for discussion and reporting.
	8 Auditor meets with service manager(s) to discuss audit findings and agree any changes to planned improvement actions.
	9 Auditor provides reports to services and Chief Executive.

	10 Auditor copies documentation to HQ
	11 Key findings included in final report to members.
<b>Follow up</b>	
Subsequent years	12 Auditor follows up achievement of planned improvements.
	= dates to be arranged by auditor

## Key stages of the audit

### Getting started

#### 1 Workshops for Auditors on PMP audit

MSU workshops on this year's audit will be held on:

- 15<sup>th</sup> September 1999
- 17<sup>th</sup> September 1999

in the Commission's HQ offices at 18 George Street, Edinburgh.

#### 2 Auditor meets with Chief Executive to agree audit coverage and timing

The auditor should agree the following with the Chief Executive:

- which service areas will be included in the audit (see guidance in *Section 4: Getting Started*)
- the overall timing of the audit.

#### Auditor meets with service managers to agree timing of the audit

The auditor should agree the following dates with the service manager(s) in each service area to be audited:

- the date by which each service will complete its submission and pass this to the auditor
- the date by which the auditor will complete the audit templates and copy these to each service
- the date on which the auditor will meet the service manager(s) to provide feedback on the audit and discuss the submission
- the date by which the audit report will be submitted to each service area.

#### Details of coverage and timing submitted to HQ

Once the scope and timing of the audit has been agreed, the auditor should complete Annex 4.4 and return it to MSU at Commission HQ.

#### 3 Services issued with PMP guidance

Auditors should issue the services selected for audit with copies of the PMP audit guidance as soon as possible. The audit guidance consists of a Manager's Guide and an Audit Guide. These are also available on disk in Word95 format.

#### 4 Services prepare submissions

Services selected for audit should each complete a submission, following the PMP audit guidance. Under most criteria, services are asked to provide a written summary and a list of sources of evidence to support the submission, cross-referenced against the criteria. Documentary evidence does not need to be forwarded to the auditor at this stage. However, under some criteria, in addition to written summaries, additional documentation is requested (for example, a service plan, performance reports, financial monitoring reports.) This is explained in the Manager's Guide. Copies of the reports requested in the Manager's Guide **should** be forwarded to the auditor with the submission.

In some cases, the requirement is for a summary of activity. If the service has already gathered this information as part of **an evidence-based** assessment for a recognised quality model (such as EFQM, IIP or ISO 9000-9004), they can cross reference their submission to the completed model documentation. They need not rewrite the information, although they should ensure that the quality model adequately addresses the bullet point in question.

The service must ensure that the cross reference is sufficiently detailed to allow the auditor to easily source the required information. **A document, page and paragraph reference must be given for each bullet point** being addressed in this way. The quality model documentation should also be passed to the auditor. **Assessments undertaken prior to January 1998 will not be acceptable.**

### Main Audit

#### 5. Submissions passed to auditor

Each service should provide the auditor with a completed submission by the agreed date.

## **6 Auditor reviews each submission across all criteria:**

- **checks that submission has been fully completed**

Auditors should review the submission to ensure that it has been fully completed. Any gaps should be raised quickly with the service, which should be asked to provide any missing information, or resubmit, if necessary.

- **sample checks evidence**

Using the templates in the audit guidance, Auditors should sample check the service's evidence to verify the service's achievements in developing a PMP framework and record this in the template. Using the templates provided the auditor also reviews the following areas in more detail:

- consultation
- service planning
- performance reporting
- benchmarking
- service reviews.

- **notes potential areas of concern**

Using the templates in the audit guidance, Auditors should note any potential areas of concern they have about the service's PMP framework as the submission is reviewed and evidence sampled.

- **reviews planned improvement actions**

The auditor reviews the planned improvements submitted by the service to check that:

- the planned improvement actions relate to the submission and to the audit findings
- the improvement actions are framed in SMART terms.

Any issues or concerns identified through this process should be raised with the service at the meeting with the service manager(s).

## **Feedback and reporting**

**7 Auditor provides each service with a copy of completed audit templates and an agenda listing issues for discussion.** This will enable the service to look through the auditor's initial comments before the briefing session, so that the service has time to consider its response to queries, comments, concerns and suggestions.

**8 Auditor meets with the service manager(s) to discuss audit findings and agree any changes to planned improvement actions.**

This meeting provides an opportunity for dialogue with the service about the coverage and findings of the audit and to suggest and agree any changes to the service's list of planned improvements.

At the meeting the auditor should:

- a) outline the main findings of the audit
- b) provide feedback on the more detailed reviews of:
  - consultation
  - service planning
  - performance reporting
  - benchmarking
  - service reviews.
- c) challenge the service for a response on any key areas of concern recorded on the audit templates
- d) agree the list of improvement actions against which the service's progress will be formally audited in future years. The outcomes from the meeting should be recorded by the auditor.

**9 Auditor provides a report to each service and to the Chief Executive.**

The Auditor will produce a final report for each service audited and a summary report for the Chief Executive. The report should follow the template included in this guidance (Annexes 6.1 and 6.2). It is essential that reports are produced to a consistent format and level of detail. The Auditor should arrange a meeting with the Chief Executive to outline the findings of the audit.

## **10 Auditor copies documentation to HQ**

On completion of each of the service audits, the auditor should copy the following to MSU at Commission HQ:

- the report on each service
- each service's PMP submission, including a copy of all requested reports and documentation
- the completed audit templates from the Auditor Guide
- notes documenting the outcomes from the meeting with the service manager(s).

**The auditor should also copy the report to the chief executives and notes of the meeting. There will be a detailed QCR exercise on the PMP audits this year.**

**11** Key findings are included in the final report to members.

## **Follow up**

**12 Auditor follows up achievement of planned improvements.**

This will begin in audit year 2000/2001.



<b>Objectives</b>	<b>Preparing for the audit</b> There are two main objectives for this stage of the audit: <ul style="list-style-type: none"><li>• to inform the council about the audit and the approach being taken</li><li>• to agree coverage and timing of the audit.</li></ul>
<b>Set-up meeting</b>	Your first meeting should be with the Chief Executive. A standard letter introducing the audit and outlining its objectives which you may wish to use is provided at Annex 4.1.  The purpose of the set up meeting with the Chief Executive is to: <ul style="list-style-type: none"><li>• gain the Chief Executive's backing and commitment to the audit</li><li>• inform the Chief Executive of the scope, methodology and timing of the audit</li><li>• gain an initial understanding of the council's approach to PMP</li><li>• agree the service areas that will be audited</li><li>• agree the overall timescales for completing and reporting the audit.</li></ul>

## Selecting service areas for audit

The letter requests that the Chief Executive forwards a copy of the following to the auditor:

- second Best Value Implementation Plan
- service review process
- service review programme and timescales.

These may provide useful background information during the audit.

It is important that the Chief Executive understands the rationale for the audit and the considerations for choosing a service area to be audited.

Decisions about the level of application of the PMP audit are at the discretion of individual Auditors in discussion with the Chief Executive. The audit budget will allow three submissions to be audited. However, the Chief Executive may wish more than three submissions to be completed for internal purposes.

There are a number of considerations when deciding which service areas will complete PMP submissions. These include:

- the organisational structure of the council
- the existence of a distinct service plan
- clear management and reporting structures
- the size of the service area
- the scope of completed best value reviews (eg a strategic review of the future of a service)
- the programme of best value service reviews within the council.

## Service reviews

An important consideration is the service review programme. This year, the Scottish Executive Development Department will be following up progress on some of the service reviews which they sampled last year. The PMP audit includes coverage of at least one service review in each service area audited. Therefore, to avoid duplication with SEDD, service areas for audit should include a reasonably progressed or completed service review **other than** one previously sampled by SEDD ( see list in Annex 4.2). Auditors will therefore need information on the council's service review programme, with timescales, before meeting with the Chief Executive.

Other factors to take into account are :

- spreading the coverage of the audit across service areas at different stages of development of PMP frameworks (eg selecting one service area with a well-established PMP framework, one where it is not well established and one somewhere in between.) This will enable the council to use audit feedback to identify good practice and support organisational learning
- spreading coverage of the audit to capture customer facing and internal service areas
- any service areas where performance is a concern, for example, by using the Commission's profiles of statutory PIs
- ensuring that coverage captures significant areas of council activity and expenditure.

A checklist is provided at Annex 4.3 to assist in the selection of service areas for audit.

## Advice on specific services

As a result of the Commission's discussions with the inspectorates for police, fire, education and social work, the following advice is offered:

- Exclude education services, police and fire from the PMP audit for this year. This is because of planned developments in the inspection regime of these areas.
- Treat social work as comprising three service areas: community care, criminal justice and childrens' services. Exclude childrens' services this year, again because of developments planned in the inspection regime.

However, a council is free to decide that it does want to cover one of the services mentioned above if it wishes.

**Meetings with service managers**

When audit coverage has been agreed with the Chief Executive, the auditor should meet with key service managers to set up the audit at service level. These meetings should

- gain their backing and commitment to the audit
- inform them of the scope, methodology of the audit
- agree the timing of the audit
- gain an initial understanding of the service's approach to PMP
- agree the overall timescales for completing and reporting the audit.

**HQ returns**

When audit coverage and timings have been agreed, you should forward a completed audit programme template (Annex 4.3) to MSU.

## Letter to chief executive

Dear Chief Executive

### **Performance Management and Planning Audit 1999/2000**

Best value requires councils to develop a performance management and planning (PMP) framework. As you will be aware, Scottish Office Circular 12/98 stated that the audit process would be used to cover the quality and content of all parts of the PMP framework by May 2000.

The Accounts Commission has set out how the PMP audit will be conducted and recently held workshops for council officers to explain and discuss the approach. I enclose copy of the Manager's Guide to the PMP audit.

The audit has three main objectives:

- to provide independent external assurance that councils are making progress on developing performance management and planning
- to identify good practice and areas of concern
- to ensure that services are planning to improve.

I will contact you in the next few days to arrange a meeting to discuss the PMP audit in more detail. At that meeting, I wish to agree with you three service areas that will be audited and the timing of the audit. In the meantime, I would be grateful if you could send me the following information:

- a copy of your second Best Value implementation plan
- a copy of your service review process
- a copy of your service review programme including timescales.

If you would like any further information about the audit before our meeting, please do not hesitate to get in touch.

Yours sincerely

Chief Auditor/Partner/Senior Manager

Enc



## Scottish Executive Service Review Appraisal

### 1998 Best Value Appraisal: Service Review Sample by Council

**Aberdeen City Council**  
 Special Educational Needs  
 Transport  
 Council Tax and Housing  
 Benefit  
 Waste Disposal  
 Residential Care - elderly

**Clackmannanshire Council**  
 Fleet Services  
 Adult Care Services  
 Payroll

**Aberdeenshire Council**  
 Catering  
 Council Tax and Housing  
 Benefit Integration  
 Management of Supply Teachers  
 Council House Sales

**Dumfries and Galloway Council**  
 Devolved School Management  
 Housing Repairs  
 Building Cleaning  
 Payroll

**Angus Council**  
 Housing Void Management  
 Schools Catering  
 Residential and Day Care for the  
 Elderly

**Dundee City Council**  
 Residential Care for the Elderly  
 Trading Standards  
 Building Maintenance Housing

**Argyll and Bute Council**  
 Council Tax and Housing  
 Benefit Integration  
 Development Control  
 Teaching for Effective Learning  
 Vehicle Management and  
 Maintenance

**East Ayrshire Council**  
 Special Educational Needs  
 Criminal Justice Service  
 Committee Administration **East**

**Scottish Borders Council**  
 Community Education  
 Residential Care for the Elderly  
 Schools and Welfare Catering  
 Waste Disposal

**East Lothian Council**  
 Homelessness  
 Home Care  
 Catering  
 Development Control

**East Dunbartonshire Council**

Criminal Justice  
Rent Arrears  
Internal Audit

**East Renfrewshire Council**

Council House Sales  
Winter Maintenance  
Printing

**City of Edinburgh Council**

Development Control  
Sheltered Housing  
Residential Care  
Building Cleaning

**Falkirk Council**

Grounds Maintenance  
Northfield Quarry  
Homelessness  
Review of Social Work Teams

**Fife Council**

Childcare Project  
Support for Young People  
Raising Educational Attainment  
Street Lighting

**Glasgow City Council**

Neighbourhood Housing Service  
Residential Care for the Elderly  
Language support for bilingual pupils  
Winter maintenance

**Highland Council**

Arrears Policy and Procedures  
Care of Elderly  
Roads DLO

**Inverclyde Council**

Services to Children and Families  
Central Administrative Support (Education)  
Contract Services

**Midlothian Council**

Domiciliary Care  
Refuse Collection  
Secondary Education

**Moray Council**

Waste Management  
Pre-five Education Service Provision  
Moray Council Contracts

**North Ayrshire Council**

Secondary Schools  
Residential Childcare  
Trading Standards  
Internal Audit  
Leisure Centre Catering

**North Lanarkshire Council**

Cleansing  
Residential Accommodation for Children  
Payroll  
Teaching and Learning (Primary Schools)

**Orkney Islands Council**

Development Control  
Housing  
Commissioning

**Perth and Kinross Council**

Void Management  
Vehicle Maintenance and Management  
Educational Development Services  
Winter Maintenance  
Local Planning

**Renfrewshire Council**

Community Education Facilities  
Leisure Management  
Home Care  
Council Tax and Housing  
Benefit Integration

**Shetland Islands Council**

Review of Secondary Education  
Staffing  
Waste Collection  
Departmental Amalgamation - DLO/DSO

**South Ayrshire Council**

Secondary Schools  
Primary Schools  
Leisure Services  
Roads (Contracting)

**South Lanarkshire Council**

Special Educational Needs  
Transport  
Residential Childcare  
Sport and Leisure  
Bulk Printing and Enveloping of Services  
Local Planning

**Stirling Council**

Housing  
Management/Maintenance  
Sport and Leisure  
Grounds Maintenance

**West Dunbartonshire Council**

Criminal Justice  
Provision of Supply Teachers  
Street Lighting  
Waste Management  
Housing Repairs

**West Lothian Council**

Day Care (Adult physically disabled)  
Public Lighting  
Criminal Justice  
Housing Management

**Comhairle nan Eilean Siar**

Building Cleaning (Education)  
Community Education  
Transport Section  
Fostering and Adoption



### Checklist for selecting service areas for audit

Service Area			
1. Is the service area already clearly defined within the council's corporate structure?			
2. Are there clear management and reporting structures?			
3. Is there a distinct service or statutory plan?			
If the answer to any of the above questions is no, you may wish to consider whether the service area will be auditable.			
4. Has the whole service area been subject to a strategic best value service review?			
If the answer to Q4 is yes, you may wish to consider whether the audit will add value at this stage in the implementation of review findings.			
5. Are there best value reviews complete or reasonably progressed in this service area?			
You should ensure that across the whole audit coverage you are sure of sampling at least two service reviews. Ideally, you should aim for a service review in each area.			
6. Is this an area of poor performance: <ul style="list-style-type: none"> <li>• against the council's internal PIs</li> <li>• against statutory PIs?</li> </ul>			
7. Is the PMP framework well developed?			
8. Is this a significant area of council expenditure?			
You may wish to spread audit coverage to capture services at different stages of development in answer to questions 6-8.			



## Annex 4.4

### Details of audit coverage and proposed timescales

Please return to Diane McGiffen, MSU, Accounts Commission, 18 George Street, Edinburgh, EH2 2QU

Council: \_\_\_\_\_

Auditor: \_\_\_\_\_

Phone No. \_\_\_\_\_

1. Service area to be audited			
2. List of main functions within the service area.			
3. Date audit guidance sent to the service			
4. Agreed date for service to complete its submission *			
5. Expected date for completion of audit templates			
6. Agreed date for meeting with service to provide feedback and discuss submission*			
7. Expected date of final audit report to service			
8. Expected date for meeting and final report to Chief Executive			
9. Date reports will be with MSU			

\*These dates should be no more than 6 weeks apart.



## Audit Objectives

The PMP audit has 3 main objectives:

- to provide independent external assurance that councils are making progress on performance management and planning
- to identify good practice and areas of concern
- to ensure that services are planning to improve.

The audit will assess:

- the extent to which a performance management and planning system is in place
- the evidence for improvements in service delivery and/or service management that have been achieved as a result
- the service's planned improvements to its PMP framework, against which progress will be audited in future years.

### How the audit guidance is set out

This section sets out the detailed audit guidance relating to each criterion. Under each criterion the guidance is structured as follows:

#### **The service submission should cover**

This details what the service was asked to include in its submission. The auditor should check that the service's submission is complete and consistent with these requirements. Any gaps should be raised quickly with the service which should be asked to provide any missing information.

#### **Key features of a best value service**

This describes what a best value service with an effective PMP framework in place would look like under each criterion. It is not expected that a service will necessarily have in place all of the elements described in *Key features of a best value service*, but these represent the medium-term objective of Best Value. Services may have referred to the *Key features of a best value service* to identify areas for improvement, or to assess the extent to which they have already developed such good practice.

#### **Audit focus**

This section provides detailed information on what the audit focus under each criterion should be.

**Context** Where relevant, additional contextual information is provided for the auditor in relation to each criterion.

**Audit template** Audit templates for each criterion are provided. These detail the audit tasks to be completed. In completing the template the auditor should consider the **extent** to which a particular feature of PMP is evident across the entire service being audited. The use of benchmarking, for example, may be particularly good in some part of the service but may not be being applied at all in other parts. Where appropriate, the auditor should supply additional commentary in the template. If the template cannot be completed from the service's submission, this should be discussed with the service. Any answer in the "commentary" section of the template other than "yes" should be accompanied by a brief commentary by the auditor.

**Auditor notes** This section provides space for the auditor to record notes about the service's submission and its performance in the context of each criterion. These notes are structured in 2 sections:

**Key areas of concern**

The auditor should record any key concerns about this part of the service's PMP framework and the reasons for this concern.

**Other comments**

Auditors should record any other comments about the PMP audit under each criterion. These may relate to the quality of the service's PMP submission, its approach to the audit, etc.

In all three sections, the auditor's notes may be based on the service's submission, the audit of evidence or the auditor's wider knowledge of the council/service (through the regularity audit, VFM studies, statutory PIs, and the management arrangements audit). It is important that the auditor draws upon this wider knowledge as relevant. Any areas of concern identified through other audit work should be brought into the PMP audit under appropriate criteria. This will ensure that a holistic and integrated view of the service is taken.

The completed templates will be copied to service managers and HQ. The templates are available on disk. It is strongly recommended that Auditors use them.

## PMP criteria and audit templates

### 1 We understand the needs, expectations and priorities of all our stakeholders

**The service submission should cover:**

- a brief overview of the service's approach to consultation, with examples. *Consultation should be interpreted in its widest sense to include all approaches involving stakeholders*
- a summary of how the key findings from consultation have been used to improve services
- a summary of how the service evaluates its consultation, including how cost-effectiveness is assessed

**Key features of a best value service**

Best Value requires services to develop a customer/citizen focus. A best value service is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are demonstrably based on such an understanding. It makes sure that it involves stakeholders in helping to identify policy and service priorities, including service availability, the standards of service to be delivered, and improvements that are required. Approaches to such consultation may involve community forums, citizens' juries, customer panels, surveys and other methods.

The service has identified its key stakeholders for its main areas of activity. These may include: citizens, service users (internal and external), elected members, the business community, the voluntary and independent sectors, suppliers, government, interest groups, staff, partner organisations, inspection and audit bodies.

The service is clear about why it is consulting, it targets relevant stakeholders, and it employs cost-effective approaches to consultation. Stakeholders feel that they have genuine opportunities to make their voice heard and that the service listens to, and takes account of, their views. The service can show how it has used the results of this work in its service planning, delivery and improvement.

A best value service also looks ahead to understand how stakeholder needs and expectations may change in the future. Changes might relate to the demography of the area, the social or cultural environment, the local economy, legislation, and local or national political priorities. There may be others.

Such analysis ensures that the service proactively plans to respond to those changing needs. The results and service implications of such analysis are fed back to all managers who are engaged in planning so that they ensure their plans take such factors into account.

**Audit focus**

The audit will focus on assessing whether the service:

- has identified its key stakeholders
- has identified key issues on which it will consult
- establishes clear objectives for consultation exercises
- evaluates the effectiveness of consultation, including whether it is achieving value for money
- uses the results of its evaluations to improve its approach to consultation
- uses the results of its consultation to improve its service delivery.

A detailed audit of one consultation exercise will also be undertaken.

**Context**

The audit of Best Value in 1998 found that Scottish councils were making considerable efforts to develop a customer/citizen focus (a key element of Best Value). There was innovative practice in many councils, including the use of citizens juries, focus groups, customer panels, surveys and other methods to find out what customers and citizens wanted from their councils and their views on local issues. However, at the time of the audit in 1998 it was too early to see much evidence of the results from the consultation exercises. Given the number of consultation exercises being undertaken by councils, effective management of customer/citizen focus initiatives will be essential to ensure value for money.

Research published in September 1998<sup>1</sup> surveyed local authorities in England on the nature and scope of public participation initiatives. The research found that “*local authorities themselves recognise that participation initiatives frequently have a minimal impact on final decision making.*”

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<sup>1</sup> Enhancing public participation in local government A research report to: The Department of the Environment, Transport and the Regions

In the same research, many authorities expressed concern that consultation and public participation sometimes had negative results, in that it lengthened the decision-making process and could raise unrealistic expectations among citizens about the council's ability to solve problems. The research also found that there was an absence of evaluation criteria by which authorities assessed the effectiveness of consultation and public participation.

Given the importance under Best Value of developing a clear customer/citizen focus, and the difficulties experienced by councils, this audit will provide a timely challenge to services to assess their approaches to consultation.

<b>Audit template Criterion 1</b>		
<b>Task</b>	<b>*Commentary</b>	<b>Details of Evidence checked</b>
1. The service has clearly identified its key stakeholders.	Yes/ No	
2. The service has identified the key issues on which it will consult.	Yes/No	
3. The service has built consultation into its regular service planning cycle.	Yes/No	
4. The service sets clear (SMART) objectives for its consultation exercises.	Yes/No	
5. The service's approach to consultation ensures that all stakeholders have an opportunity to contribute.	Yes/No	
6. The service sets clear evaluation criteria for its consultation exercises.	Yes/No	
7. The service co-ordinates consultation exercises to minimise cost.	Yes/No	
8. The consultation results in clear recommendations for service improvement.	Yes/No	
9. The recommendations have been implemented.	Yes/No	
* Any answer other than "yes" should be accompanied by a brief commentary by the auditor.		

<b>Audit template Consultation</b>	
<p>Select one consultation exercise from the list in the service's submission. Request all background papers for the exercise, including where relevant:</p> <ul style="list-style-type: none"> <li>• committee reports</li> <li>• consultant's briefs</li> <li>• information given to participants</li> <li>• reports on findings.</li> </ul> <p>Review the papers. Complete the following template on the basis of the papers reviewed</p>	
<p>Consultation exercise reviewed:</p>	
<b>Task</b>	<b>*Commentary</b>
1 There were clear (SMART) objectives for this exercise in terms of what the service was seeking to find out.	Yes/No
2 There was a clear rationale as to why this particular method of consultation was being used.	Yes/No
3 There was a clearly defined audience/group of participants.	Yes/No
4 There was a clear rationale as to why they were chosen.	Yes/No
5 The consultation exercise reached its intended audience.	Yes/No
6 The resource requirements/implications of the consultation exercise were clearly set out.	Yes/No
7 There were clear recommendations for service improvement as a result of the exercise.	Yes/No
8 These have been implemented.	Yes/No
9 The service has evaluated the exercise using its own agreed criteria	Yes/No
10 The service has assessed whether the exercise demonstrated value for money (looking at the overall benefit of the exercise against the costs/resources/time required).	Yes/No
11 What lessons were learned from the evaluation, and how will these affect future consultation exercises?	

If the answer to any of the above questions is “no”, this should be discussed with the service manager(s) at the feedback meeting. This may highlight areas for improvement that the service should consider addressing.

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions. These should include any queries from review of the consultation exercise.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criteria? These will help structure the content of your PMP audit report.**

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## 2 We have decided on the best ways to meet these needs, expectations and priorities

### The service's submission should cover:

- a list of the areas of activity where a systematic evaluation of the best way to meet stakeholders' needs, expectations and priorities has been undertaken
- a brief description of how the service identified and evaluated the alternative options for these areas of activity
- a copy of one report to decision-makers outlining the findings of an evaluation and the recommendations made
- a summary of service improvements which have been achieved as a result of such evaluation

### Key features of a best value service

Having understood stakeholder needs, expectations and priorities, a best value service chooses which of those needs will be met. It evaluates the best ways of meeting those needs.

The service rigorously evaluates which delivery option will ensure that stakeholders receive the highest quality of service possible within the resources available. Options may include in-house provision, service reconfiguration, partnership working, outsourcing, externalisation or a mix of these. There is a structured and documented approach to evaluation. Where a developed market exists for an activity, full consideration is given to the use of market testing or open competition.

Decisions on options take into account both quality and cost factors. Political and managerial judgement may also be involved. The evaluation process makes clear what these criteria were and how they were applied in reaching a decision.

### Audit focus

The audit should focus primarily on establishing whether:

- there is a clear, agreed approach within the service for identifying and evaluating the alternative ways of meeting stakeholder needs and expectations
- this evaluation involves consideration of the full range of options available
- recommendations from the evaluation are acted upon
- planned performance improvements as a result of acting upon recommendations have been achieved

**Context**

Best Value is not prescriptive as to how needs and expectations should be met or how services should be provided. However, there is a clear expectation that services should ensure that the full range of options in terms of which activities should be undertaken and by whom has been identified, evaluated and acted upon.

The Commission recently published a report *Better together? making improvements by reconfiguring services* which looks at how councils can alter the way services are delivered to improve quality and/or efficiency. The report includes case studies and checklists relevant to this part of the PMP audit.

**In some councils these issues will be addressed through service review. The auditor should ensure that these are addressed under either this criterion, or criterion 9.**

<b>Audit template Criterion 2</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
1 The service has prioritised areas of its activity where a systematic evaluation of ways of meeting stakeholder needs will be undertaken.	Yes/No	
2 The service has a clear and reasonable rationale for these priorities.	Yes/No	
3 The service has an agreed approach for undertaking such evaluation.	Yes/No	
4 The approach includes service reconfiguring as an option.	Yes/No	
If the answer to 3 is <b>No</b> , how does the service ensure that it knows it has adopted the best way to meet stakeholder needs and expectations?		
<b>Based on the report the service has provided as part of its submission complete the tasks detailed below</b> Area of activity covered in the report.....		
5 The agreed evaluation approach was applied.	Yes/No	
* Any answer other than “yes” should be accompanied by a brief commentary by the auditor		

6	A full range of options was identified and evaluated.	Yes/No If <b>No</b> , see questions 19 and 20	
7	These were as follows (list):		
8	These included service reconfiguring.	Yes/No	
9	Clear appraisal criteria for choosing between options were identified at the outset.	Yes/No	
10	All options were reviewed in terms of both cost and quality.	Yes/No	
11	A concise evaluation of each option was reported to members.	Yes/No	
12	Clear recommendations were made as to which option was preferred.	Yes/No	
13	There was a clear explanation as to why the preferred option was recommended.	Yes/No	
14	The report clearly set out the service improvements that were expected as a result of this option.	Yes/No	
15	The recommendations have been implemented.	Yes/No	
16	If the answer to 12 is <b>No</b> , is there a clear explanation as to why not?	Yes/No	
17	It is clear how the performance of the selected option will be monitored.	Yes/No	
18	The expected improvements have been achieved.	Yes No Partly Not yet	
19	If the answer to question 6 is <b>No</b> , which options that could have been considered were not reviewed (list).		

20 There was a clear rationale as to why these particular options were not included.	Yes/No	
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**Note:**

If service reconfiguring has not been considered as an option, you should discuss this in feedback with service managers to establish why and refer them to the Commission’s report *Better Together? Making improvements by reconfiguring services*.

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criteria? These will help structure the content of your PMP audit report.**

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### 3 We have detailed plans for achieving our goals

**The service's submission should cover:**

- a list of the annual plans produced by the service
- a copy of the current service plan
- where there are multiple plans, a description of how the service ensures that they are consistent and mutually achievable
- a description of how the service relates its plans to the activities of other services or organisations where necessary
- a summary of how the service ensures that service plan goals are translated into activities for teams and individuals.

**Key features of a best value service**

Clear and concise plans are essential in a best value service. Such plans link visibly to corporate goals and priorities and set out what the service intends to do, its overall priorities, performance standards and targets to be met and the resources involved.

Such plans provide the basis for guiding decisions and action, and for holding the service to account. Managers and members periodically review achievements against the plan.

Although a service may have to produce more than one plan, the service makes sure that these are internally consistent and produced as part of a single planning and budgeting process. This ensures that they are all mutually achievable within given resources.

Some of the service's goals and objectives may involve working with other organisations: health boards, Scottish Homes, enterprise agencies, fire and police services, voluntary sector agencies. A best value service ensures that such partner organisations are aware of each other's plans and have understood and agreed their respective roles in contributing to these. There are mechanisms in place for agreeing the broad role, contribution and responsibility of each organisation. There are means for clearly identifying the extent to which these contributions/responsibilities are being met and the progress being made towards achieving the identified objectives.

Within the service, there are mechanisms for ensuring that the commitments set out in plans are translated into specific tasks for teams and individuals to undertake.

**Audit focus**

The audit should focus primarily on establishing whether:

- a plan, or plans, exists that details what the service intends to deliver, its priorities, its resources and its performance targets.
- the service's plan(s) integrates with the activity of other services or organisations.

**Context**

In its summary report on the audit of management arrangements (*Planning for Success, August 1998*) the Commission indicated that in some councils service planning needed to be improved. Best Value also emphasises the importance of "sound strategic management".

<b>Audit template Criteria 3</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
1 The service ensures that all its plans are consistent with each other.	Yes/No	
2 The service has identified the other major services and organisations it needs to co-ordinate with.	Yes/No	
3 The service ensures that its plans co-ordinate with the activity of other services or organisations.	Yes/No	
<b>Based on the service plan provided as part of the submission, complete the rest of the template</b>		
4 The plan clearly sets out the overall priorities of the service.	4. Yes/No	4.
5 The plan clearly sets out what the service intends to achieve (in SMART terms).	5. Yes/No	5.
6 The plan clearly sets out performance standards and targets to be achieved.	6. Yes/No	6.

7 The plan clearly sets out the key resource implications of performance targets and priorities. (See also Criterion 4 Task 3).	4. Yes/No	4.
8 Responsibilities for implementation are clearly set out for each of the main activities/areas of the plan.	Yes/No	5.
* Any answer other than “yes” should be accompanied by a brief commentary by the auditor		

**The auditor should discuss any “No” comment with the service manager(s) during feedback to assess whether these could be/will be addressed by planned improvements.**

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions. This should include any areas where a “No” was recorded on the template.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 4 Our plans are clearly based on the resources we have available

- a summary of how the service ensure that plan commitments are related to available resources
- a summary of what the service has done to develop multi-year planning and budgeting.

### Key features of a best value service

A best value service ensures that its plans are clearly based on the resources it has available. Resources will include finances, people, assets and information. The service knows what resources are available and ensures that they are applied to the right activities. Service plans have been properly costed and budgeted and are realistic and achievable given the available resources.

Although the focus will be on budgets for the forthcoming year, the service has also assessed the likely long-term availability of resources and resource priorities.

A best value service makes sure that it has the organisational capacity to implement all its planned improvements. Organisational capacity means that management and staff have the skills, knowledge, resources and time to implement the planned service improvements as well as continuing to provide day-to-day services.

### Audit focus

The audit should focus primarily on establishing whether:

- plans are costed
- plans have key resources allocated to them
- the service has made progress towards multi-year budgeting and planning.

Audit template Criterion 4	*Commentary	Details of evidence checked
1 The service has assessed the resources it is likely to have over the next 3 years.	Yes/No	
2 The service ensures that all its plans are fully costed.	Yes/No	
3 Resources and budgets have been allocated to key plan areas.	Yes/No	
4 The service has made progress in developing multi-year planning and budgeting	About to start Just started Some progress Completed	
* Any answer other than “yes” should be accompanied by a brief commentary by the auditor		

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 5 We make best use of our available resources

### The service's submission should cover:

- a brief overview of how the service ensures effective resource utilisation
- a list of achievements in improved resource use in the service over the last 12 months
- a copy of any plans for improving resource use
- a summary of progress in developing costing systems.

### Key features of a best value service

Good resource management is a critical aspect of best value and a key part of being a competitive service provider. Services must make best use of their available resources in the provision of services. A best value service has reliable and up-to-date information on the resources it has available and how it uses these.

The service has systematic approaches in place to monitor, manage and review its use of resources and has a good track record in improving its resource utilisation. These approaches cover asset management (property, plant and equipment), procurement and purchasing (co-ordination, supplier relationships and stock/materials handling), information management (control, communication and marketing) and the management of technology and intellectual capital.

A best value service has developed systems so that it knows the cost of its activities and services.

### Audit Focus

The audit should focus on determining whether:

- the service has information systems to enable it to assess resource utilisation
- there are clear plans and targets for improving resource utilisation
- the service has a track record in improving resource use
- the service has made progress in developing accurate costing systems for its key activities.

### Context

Services should also be challenged on their use of relevant VFM studies that apply to their resource utilisation and to their use of PIs to help them assess their performance in term of resource use. Auditors should review any PI data relating to the service and use it to inform their evaluation.

<b>Audit template Criterion 5</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
1 The service has identified key performance measures in relation to its resource utilisation.	Yes/No	
2 The service has accurate, up-to-date and comprehensive information on the resources it has available.	Yes/No	
3 The service has accurate, up-to-date and comprehensive information on its current levels of resource performance.	Yes/No	
4 The service knows how its current resource performance compares with other services and other comparable organisations.	Yes/No	
5 This includes use of the following VFM reports:  .....		
6 This includes the use of the following PIs.  .....		

7 The service has made progress in developing systems for costing its key activities.	None About to start Just started Some progress Completed	
8 Targets for resource improvement have been set (in SMART terms).	Yes/No	
9 The service has improved its use of key resources.	Yes /No	
* Any answer other than “yes” should be accompanied by a brief commentary by the auditor.		

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 6 We make best use of our people

**The service's submission should cover:**

- a brief overview of the information routinely available on the management and performance of staff
- a list of improvements in the management and performance of staff that have been achieved over the past 12 months
- a copy of any plans for improving staff performance.

**Key features of best value service**

In all services, Best Value will only be achieved if all staff are committed to, and involved in, continuous improvement. A best value service ensures that all staff are managed effectively and efficiently. Managers communicate service priorities and objectives to staff and ensure that those objectives are translated into tasks that teams and individuals undertake. Staff know what is expected of them, their performance is regularly assessed and they are assisted in improving their performance.

The service has accurate and up-to-date information on staff performance and a good track record in improving the management and performance of staff.

**Audit focus**

The audit focus is on:

- following up Module 2 action plans (where applicable)
- establishing whether the service has good systems and information for managing its people.

### Audit template Criterion 6

Check whether the service had an action plan for Module 2 and if so audit progress against it. Record your findings here.

Check which corporate Module 2 actions should have impacted on the service and test whether they have. Record your findings here.

If the service has not applied module 2, when did it last/when will it review its arrangement for managing people?

Audit template Criteria 6	*Commentary	Details of evidence checked
1 The service has identified key measures by which to assess the performance of its people.	Yes/No	
2 The service has accurate, up-to-date information on: <ul style="list-style-type: none"> <li>• the number of staff employed</li> <li>• the number of unfilled vacancies</li> <li>• sickness and absence rates</li> <li>• overtime costs.</li> </ul>	Yes/No	
3 The service knows how the performance of its people compares with other services and other organisations.	Yes/No	
4 SMART Targets for improving the performance of its people have been set.	Yes/No	
5 The service has improved the performance of its people.	Yes/No	
* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.		

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 7 We monitor and control our overall performance

**The service's submission should cover:**

- a brief overview of how your service ensures effective performance monitoring and control
- a copy of two consecutive performance reports
- examples of where your monitoring has been used to improve service performance.

**Key features of a best value service**

A best value service has a rigorous performance monitoring system in place. This includes identifying the key measures used to monitor achievement of service goals and objectives, and collecting and using those measures to manage both strategic and operational performance.

The service also regularly reports progress against its plans to senior managers and members.

**Audit focus**

The audit should focus primarily on establishing whether the service:

- has an effective performance monitoring system in place
- has identified key performance measures to assess the achievement of service goals and objectives
- monitors those key measures to improve performance.

The audit will also review performance reports against good practice in performance monitoring and reporting.

**Context**

The Commission has repeatedly highlighted to councils the importance of developing and improving performance information systems.

*Planning for Success*, our overview of findings on module 1 management arrangements module 1 in councils in 1996/7, recommended that all councils develop their performance measurement systems:

*“Councils should ensure they have adequate and effective systems for collecting, reporting and acting upon performance measures at both corporate and departmental levels. Such systems should enable managers and members to assess the council’s progress in achieving its overall goals as well as providing information on operational performance across the council.”<sup>2</sup>*

<sup>2</sup> Planning for Success p2

The audit of Best Value in autumn 1998 found that there had been some progress in developing local performance information, but the extent and scope varied across services and within councils. The absence of good performance information and reporting systems was still a major issue in most councils, and there was major slippage against improvement targets for performance measurement, monitoring and reporting. In addition, the 1998 review of DLO/DSOs found that management and financial information systems in many DLO/DSOs were inadequate.

Auditors should use their knowledge of the service's statutory performance information systems and performance to inform this part of the audit.

**Auditors may wish to refer to the Commission's publication "Getting to know you" for more detailed advice on performing information and reporting.**

Audit template Criterion 7	Commentary	Details of evidence checked
1 The service has identified key performance measures for its goals and objectives.	Yes/No	
2 The service has accurate and up-to-date information on its performance against these measures.	Yes/No	
3 The service regularly monitors and reports these key measures.	Yes/No	
4 Performance reports are regularly provided to all key stakeholders.	Yes/No	
5 Action is taken to control performance at all levels in the service.	Yes/No	
<b>Based on the performance reports that were included in the submission complete the following:</b>		
6 The key performance measures are clearly set out.	Yes/No	
7 The report enables the reader to make a judgement about service performance.	Yes/No	
8 The report enables the reader to assess whether performance is adequately controlled.	Yes/No	
9 The report sets out proposed actions to control/improve performance.	Yes/No	

10 Slippage in performance was identified quickly.	Yes/No	
11 Actions to control/improve performance were proposed quickly	Yes/No	
12 The subsequent report indicated that the proposed actions had been taken.	Yes/No	
13 The reports were consistent in scope and coverage.	Yes/No	
* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.		

**The auditor should discuss any “No” comment with the service manager(s) during feedback to assess whether these could be/will be addressed by planned improvements.**

**Auditor notes**

**Summarise any key areas for concern based on your findings for this criterion. These should include any “No” comments. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 8 We have sound financial control and reporting

### The service's submission should cover:

- a list of the key financial measures monitored by the service
- a brief overview of how your service ensures effective financial control
- a copy of two consecutive financial monitoring reports
- a summary of arrangements to 'follow the public pound' which ensure that external organisations receiving funding from the service are properly held to account.

### Key features of a best value service

A best value service optimises its available income and ensures proper financial management of its expenditure. The service has identified the key aspects of its financial performance that it needs to monitor and act upon.

The timely reporting of financial performance takes place at all levels and action is taken to investigate and act upon any irregularities or under- and overspends. Budget holders have been identified and have clear responsibilities. They receive adequate and timely information to enable them to manage their budgets and performance.

The service has effective financial monitoring and control over devolved budgets and funding of external organisations through grants and awards.

### Audit focus

The audit will focus primarily on determining whether the service:

- has good financial monitoring systems in place
- monitors, reports and controls its financial performance.

### Context

Use should also be made of any relevant findings arising from the regularity audit and from Budgetary Control in management arrangements Module 1 ( where applied).

<b>Audit template Criteria 8</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
1 The service has identified key financial performance measures.	Yes/No	
2 The service has accurate and up-to-date information on its financial performance.	Yes/No	
3 The key financial performance measures are regularly monitored and reported to senior managers/members.	Yes/No	
4 Financial performance reports are regularly provided to all budget holders.	Yes/No	
5 Action is taken to control financial performance at all levels in the service.	Yes/No	
6 Where the service funds external organisations the Code of Guidance "Following the Public Pound" is followed.	Yes/No	
* Any answer other than a "yes" should be accompanied by a brief commentary by the auditor.		

<b>Based on the financial monitoring reports included in the submission, complete the following:</b>		
<b>Audit template Criteria 8</b>	<b>Commentary</b>	<b>Details of evidence checked</b>
1 The key performance measures are clearly set out.	Yes/No	
2 The reports enables the reader to make a judgement about financial performance.	Yes/No	
3 The reports allow the reader to assess whether financial performance is being adequately controlled.	Yes/No	
4 The reports set out proposed actions to control financial performance.	Yes/No	
5 Slippage in financial performance as identified quickly.	Yes/No	
6 Actions to control/improve financial performance were proposed quickly.	Yes/No	
7 The subsequent report indicated that the proposed actions had been taken.	Yes/No	
8 The reports were consistent in scope and coverage.	Yes/No	

**The auditor should discuss any “No” comment with the service manager(s) during feedback to assess whether these could be/will be addressed by planned improvements.**

**Auditor Notes**

**Summarise any key areas for concern based on your findings for this criterion. This should include any “No” comments. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion? These will help structure the content of your PMP audit report.**

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## 9 We actively support continuous improvement

### Your submission should cover:

- a summary of the key steps you have taken to support continuous improvement within your service
- a description of how you use benchmarking and details of the service improvements that have resulted from this
- a summary of improvements made as a result of best value service reviews
- a copy of a final best value service review report to elected members (or an interim report where no service review has yet been completed)
- a summary of information available on customer feedback and how this has been used to improve services.

### Key features of a best value service

A best value service actively seeks to create a culture to support continuous improvement and organisational learning. It experiments in a managed way with new approaches, learns from its own experience and that of others, and is skilled at transferring good practice throughout the service. The service has identified the key steps to be taken to promote such a culture and these have been put in place. Such steps may include focused staff training and development, improved communications, the introduction and use of recognised approaches such as IIP or EFQM.

The service has progressed best value service reviews to support continuous improvement. In addition to these reviews, the service has in place ongoing approaches to ensure it regularly reviews its performance. This involves relevant key stakeholders and includes the use of customer feedback, suggestions and complaints and customer surveys.

The service uses a range of approaches and techniques to support continuous improvement. It ensures that staff have the necessary skills to contribute fully to continuous improvement. The service ensures the cost-effective use of benchmarking across all its activities.

### Audit focus

The audit will focus on assessing whether the service:

- has taken action to support continuous improvement
- effectively identifies and disseminates good practice
- has a systematic and effective approach to benchmarking
- systematically uses feedback from stakeholders to improve services
- has a systematic and effective service review process.

## Service reviews

### Context

The Best Value Task Forces has stated that among the characteristics of a Scottish authority seeking to achieve best value will be

*“a rigorous and regular service review process that ensures all activities are subject to the “4Cs”(Challenge, Compare, Consult, Compete) and stimulates early remedial action where poor performance is identified”.*

-Best Value in Local Government Long Term Arrangements p6

All Scottish councils are committed to a fundamental service review programme covering all areas of activity over a three to five year period. Each council has agreed its review programme with the Scottish Executive.

In May 1998, the Accounts Commission and CoSLA produced guidance on service/performance reviews which was issued to all councils. That guidance stated that:

- there is no one right way of developing a programme of reviews and councils should develop a programme of reviews and adopt procedures suitable for their own circumstances
- reviews should not be conducted randomly, but should be informed by an understanding of where performance is poorest and scope for improvement is greatest and most pressing. Periodic “health checks” which provide the information for prioritising the review activity should therefore supplement the in depth reviews
- reviews scheduled for a given time period and the actions to implement recommendations from previous reviews must be included within the annual service plan.

The guidance set out five key stages of the review process:

- determine a manageable element of each service or activity and agree a timetable as part of the rolling programme of review
- ensure consultation with customers/citizens and other stakeholders, to establish affordable service standards and targets which meet their needs
- establish current performance and need/scope for improvement
- determine the most appropriate form of service delivery
- implement decision and introduce monitoring and review of performance.

A copy of the guidance is included at Annex 5.1.

The 1998 Best Value appraisal round included an assessment of the best value reviews being conducted by councils. Scottish Office Development Department officials and Inspectorates sampled service reviews in councils. Common themes emerged about the conduct of reviews:

- all councils have struggled with the concept and implementation of best value service reviews, although they have all made some progress
- in most councils, at least one review demonstrated proper review activity - which for the purposes of the review round was defined as standing back and thinking about the service they deliver
- progress tended to be limited and focused on getting a service on to a sound footing rather than making any fundamental shift in what the council is doing. Examples included:
  - removing some glaring inefficiencies - one council reduced the number of special needs contracts from 300 to 30, saving £1/2 million. In another, a contract specification had been reduced from 300 pages to 8
  - updating objectives to take account of current thinking - the objectives of youth policy in one council had not changed since 1986; these have now been updated
  - upgrading systems to provide emergency cover - a number of councils are addressing supply teacher problems.

In addition a number of concerns emerged from the appraisal of service reviews:

- very few reviews were at a sufficiently strategic level. As a consequence, radical or innovative thinking was rare
- the current status of these council information systems represents a formidable obstacle to the implementation of the planning and performance measurement aspects of Best Value
- councils still tend to focus on inputs rather than outputs and outcomes
- there was little or no involvement by councillors in the best value process.

In the main, where councils focused on the principles and the 4 Cs, the review process has been more successful rather than where it stuck rigidly to a predetermined model.

This year, the Scottish Executive Development Department will following up progress on some of the service reviews which they sampled last year. (These are listed at Annex 4.2.) The PMP audit includes coverage of at least one service review in each service area audited, other than the reviews that may be sampled by the SEDD.

Audit template Criterion 9	*Commentary	Details of evidence checked
1 The service has defined the key steps it needs to take support continuous improvement.	Yes/No	
2 The service has made progress in implementing these steps.	Yes/No/Partly/ Not yet	
3 The service has a systematic approach to identifying and disseminating good practice.	Yes/No	
4 The service can highlight specific improvements made as result of adopting good practice.	Yes/No	
5 The service systematically collects and uses customer feedback to improve performance.	Yes/No	
6 The service has an agreed approach to benchmarking.	Yes/No	
7 The service has identified the key performance areas it needs to benchmark.	Yes/No	
* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.		

<b>Select one completed benchmarking exercise for review.</b> Request relevant background papers including: <ul style="list-style-type: none"> <li>• committee reports</li> <li>• project plans</li> <li>• scoping exercises</li> <li>• final reports.</li> <li>• Review the papers and complete the rest of this template.</li> </ul>		
<b>Audit template</b> <b>Criterion 9</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
8 There was a clear rationale for selecting this area/activity for benchmarking.	Yes/No	
9 It was clear from the outset of the exercise what the key objectives of the exercise were.	Yes/No	
10 The resource requirements of the exercise were identified at the outset.	Yes/No	
11 The necessary resources were allocated to the exercise.	Yes/No	
12 There was a clear timetable set for the exercise.	Yes/No	
13 The exercise involved benchmarking key processes as well as benchmarking data.	Yes/No	
14 The benchmarking partners chosen included a range of organisations (public and private sector).	Yes/No	
15 The staff involved had the necessary skills to complete the exercise.	Yes/No	

Audit template Criterion 9	*Commentary	Details of evidence checked
16 The report recommended service improvements that could be implemented.	Yes/No	
17 The anticipated results have been achieved.	Yes No Partly Not yet	
18 The exercise was evaluated in terms of value-for-money.	Yes/No	
* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.		

Auditors may find the Commission’s publication *Measuring up to the best - a manager’s guide to benchmarking* useful background reading.

<p><b>Select one completed service review for audit.</b> If no reviews have yet been completed, select the most progressed review. Request relevant background papers including:</p> <ul style="list-style-type: none"> <li>• committee reports</li> <li>• project plans</li> <li>• scoping exercises</li> <li>• final reports.</li> </ul> <p>Review the papers and complete the rest of this template.</p>		
<b>Audit template Criterion 9</b>	<b>*Commentary</b>	<b>Details of evidence checked</b>
19 There was a clear rationale for selecting this area/activity for service review.	Yes/No	
20 A clear process was set out for conducting the review.	Yes/No	
21 The process was followed.	Yes/No	
22 The review considered: <ul style="list-style-type: none"> <li>• whether the service should continue</li> <li>• if so, the level and way in which it should continue</li> <li>• who should deliver the service.</li> </ul>	Yes/No	
23 The review considered service reconfiguring as an option.*	Yes/No	
24 The review assessed the performance of the service against its own performance standards and targets.	Yes/No	
<p>* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.</p>		

Audit template Criterion 9	*Commentary	Details of evidence checked
25 The review assessed the competitiveness of the service against the same or similar services provided by other authorities, the voluntary private sectors.	Yes/No	
26 The review incorporated the views of service users and other stakeholders.	Yes/No	
27 The review process incorporated independent challenge of the review findings.	Yes/No	
28 Members were involved in the review process.	Yes/No	
29 The review recommendations were clearly set out and reported to members.	Yes/No	
30 The review recommendations were:	Adopted Modified Rejected	
31 Clear timescales and responsibilities for implementing the outcome of the review have been agreed.	Yes/No	
* Any answer other than a “yes” should be accompanied by a brief commentary by the auditor.		

**The auditor should discuss any “No” comment with the service manager(s) during feedback to assess whether these could be/will be addressed by planned improvements.**

**Auditor Notes**

**Summarise any key areas for concern based on your findings for this criterion. This should include any “No” comments. These will help you audit the service’s proposed improvement actions.**

Areas of concern	Justification for inclusion

**What other comments do you have (in addition to those above) in relation to this criterion?**

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**10 We provide our stakeholders with the information they need about our services and performance and listen to their feedback**

**No submission is required for this criterion in 1999 as councils have submitted their plans for public performance reporting to the Scottish Executive.**

**Key features of a best value service**

A best value service uses public performance reporting to ensure that its communities, citizens, customers and other stakeholders are aware of its plans, its priorities and the services that are available. The service tells its stakeholders what standards of service they can expect and it reports back on its performance and its plans for improvement.

The service has a range of approaches designed to communicate its performance effectively to different stakeholder groups. The content, channel, quantity and frequency of performance reporting take account of the information needs of each stakeholder group.

The service actively encourages feedback and comment on its performance from stakeholders and uses that information to improve its performance.

## Auditing planned improvements

### Audit focus

The audit should focus primarily on establishing whether the proposed improvement actions:

- provide the SMART details required for proper monitoring and management
- are consistent with the service's weaknesses as set out in its PMP submission
- address the key areas for concern identified by the Auditor when auditing the service's PMP submission.

A key commitment under best value is continuous improvement. Having completed their assessment of their existing PMP framework services are required to set out improvements they are planning to make to their PMP framework.

The Auditor's main tasks in this context are to:

- check that the proposed improvement actions relate to the service's own PMP submission and to the audit findings
- check that the improvement actions are framed in SMART terms.

**Auditors should draw on their overall knowledge of the council/service. Significant areas of weakness identified in other audit work, which relate to PMP criteria but were not identified in the submission, should be raised for discussion. Auditors may wish to suggest that improvement actions should be identified by the service in relation to these weaknesses.**

In subsequent years, the Auditor will report on progress of the service in completing these actions. It is therefore important that planned improvements meet the SMART criteria.

It is important to emphasise to the service that a separate PMP action plan is **NOT** required. What is required is a detailed list of actions intended to improve specific aspects of the service's PMP framework that can be audited in the future. These actions may already appear in other plans that the service has, (for example, the service plan) or they may be generated by the audit process. In this case, the service should set out clearly in which plans the proposed action will appear.

**The Auditor should ensure that proposed improvement actions meet the requirements of the template:**

**1 The proposed action should be described clearly and in sufficient detail so that it can be readily understood.**

An action such as:

*“To revise the service plan”*

is too vague and general and would require further detail of which parts of the plan were to be revised and in what way. A clearer and more auditable description of the action might be:

*“ To revise the service plan to include budget details and to show line management responsibilities for key initiatives”.*

**2 There should be a clear explanation as to why this action has been chosen in terms of its importance, relevance and priority**

**3 There should be a clear connection between the service’s PMP submission and the improvement action.**

If there is not, the service should be challenged as to why the action is proposed if it has not been highlighted as a weakness in the PMP submission. The improvement action should also be visibly linked to specific PMP criteria (it may be linked to more than one).

**4 There should be specific statements about what the improvement is actually intended to achieve.**

Such statements should not be a description of the activities that are planned but should indicate what the improvement is intended to change or deliver.

An example such as *“to introduce internal PIs across the service”* would be inadequate by itself. A clearer and more auditable statement might be:

*“To develop a set of internal PIs which will enable the service to improve its performance monitoring and control”*

It should also be clear whether the improvement is intended primarily to improve the service received by the customer (internal or external) or whether it is intended to improve the management of the service.

## Summary of overall approach to auditing planned improvements

- 1 Auditor reviews the proposed improvement action template to ensure that the required details and information are provided.**

If they are not, the service should be requested to complete the template according to the guidance provided.

- 2 Auditor checks for consistency between the proposed actions and the service's PMP submission.**

The template requires the service to relate each action to specific PMP criteria. Whilst it is likely many actions will link to more than one criteria, the Auditor must be satisfied that the proposed action is linked:

- to specific parts of the PMP framework
- to PMP areas where improvement is needed.

- 3 Auditor checks for consistency between the proposed actions and the Auditor's own *key areas of concern* arising from the audit of the service's PMP submission, or from other audit work.**

**It is not the Auditor's role to insist that these actions be included in the service's proposals.** However, if potential areas for improvement have been noted by the Auditor which are not included in the service's proposals these should be brought to the service's attention. The Auditor must then formally note the service's response.

Audit template Improvement actions	Commentary	Details of any supporting evidence
For each of the planned improvements:		
1 There is an adequate description of the planned improvement.	Yes/No	
2 It is clear why the planned improvement has been chosen.	Yes/No	
3 The improvement is clearly based on the service's review of its existing PMP framework.	Yes/No	
4 It is clear which PMP criteria/criterion the improvement linked to.	Yes/No	
5 There are clear statements about what the improvement is intended to achieve.	Yes/No	
6 The improvement is intended to primarily benefit:	1) The services received by the customer 2) The management of the service 3) A mix of the two	
7 The improvement has clear intermediate milestones detailed.	Yes/No	

8 Each of these milestones indicates what will have been achieved and by when.	Yes/No	
9 There are clear statements about how the service intends to measure the success of this action.	Yes/No	
10 As Auditor, I confirm this action can be audited next year.		

**Guidance on Service / Performance Reviews**

**Accounts  
Commission/CoSLA  
Guidance on  
Service/Performance  
Reviews  
May 1998**

**Introduction**

- 1.1. Best Value requires a fundamental shift to a culture of continuous improvement. Cultural change is not a short-term fix; it is a long-term journey. The same is true of Best Value. It will never be fully achieved, there will always be room for improvement to better respond to society's changing needs.
- 1.2. A term that is being used to describe the overall set of actions that are required for achieving continuous improvement is a 'performance planning regime'. Key components of a performance planning regime are: establishing clear objectives, performance measures and standards which are informed by the needs of customer/citizens for all services; identifying where and how improvements can be made; prioritising and implementing improvements; and reporting on performance and improvements for public scrutiny. Most councils are already developing initiatives in these areas. By the end of 1999, all councils will need to show that a coherent approach to performance planning is being developed for all services. Further work will be undertaken by the Task Force to develop the detail of performance planning.
- 1.3. Best Value can only be achieved if it is owned by local government - a commitment to doing better year on year - and is expressed at all levels within a council. A council's commitment to Best Value must be explicit, shared and owned within the council, both at elected member and staff level. Councils must take control of the agenda and not respond to Best Value because they believe they have to, in response to central government direction. Because if Best Value is imposed and driven by external threat - as under CCT - the likelihood is that it will be superficial and will ultimately fail.
- 1.4. The cultural change necessary to deliver Best Value is about changing attitudes and developing awareness of the importance of continuous improvement and being open and accountable focusing on the needs of the community. It is also about adopting a business-like approach and competitive disciplines developed under CCT to all areas of council activity. This will strengthen the role of local government through showing their commitment to delivering quality cost-effective services. To bring about this cultural change there is, therefore, a major training challenge in equipping members and officers with the necessary skills.

- 1.5. Whilst the emphasis must be on cultural change, councils must also be putting the quality initiatives and techniques in place to deliver continuous improvement. CoSLA's Quality Network, for example, has customised the European Foundation Quality Model for business excellence for Scottish councils as a comprehensive tool that would facilitate the achievement of Best Value. Accepting that the EFQM model requires a longer term approach, the Quality Network endorsed a staged implementation of this model. One milestone in this staged approach is the Investors in People standard which will cover approximately 30-40% of the EFQM model and an IIP tool-kit is available from CoSLA.
  
- 1.6. The development of a rolling programme of fundamental reviews of service performance is one of the essential processes that councils will need to have in place to demonstrate their commitment and capacity to deliver Best Value. Fundamental reviews are by definition carried out only periodically. Continuous improvement must also be pursued on a day-to-day basis. The purpose of a review is to determine what changes, if any, should be made to current activities, either because priorities have changed or because there are ways of improving performance. Often, therefore, a review may lead to option appraisal in that alternative courses of action are considered. Accountability requires that those choices should be made as systematically, transparently and objectively as possible. Decisions will be taken on the basis of political and managerial judgement for which elected members and officers should be held to account through the clear reporting of performance to stakeholders.

1.7. Depending on the scope of a review, it may address strategic or policy questions (eg implementing a community safety policy or Local Agenda 21 plan etc.) such as:

- have we established a clear idea of what we are trying to achieve?
- are these objectives still relevant?
- will they continue to be relevant?
- are we pursuing them in the best way?

Most reviews, however, will take existing policies as given and will focus on operational and performance issues (eg residential care, refuse collection etc.) such as:

- are we achieving our service objectives?
- do we need to re-order our priorities?
- have we set the right service standards?
- how good is our performance?
- how can we get better?

1.8. Councils have been asked to prepare a programme of fundamental reviews that will ensure that all major activities are covered within a three to five year period. There is no one right way of developing a programme of reviews and councils are adopting procedures suitable for their own circumstances. However, there are two basic requirements that should underpin the review programme:

- the order in which activities are reviewed should not be random but should be informed by an understanding of where performance is poorest and hence where scope for improvement is greatest and most pressing. In other words, the review programme is not a bureaucratic administrative exercise; it is part of the council's core agenda. It must be driven by knowledge or perception of current performance and an assessment of where improvement action is most urgently required. Periodic 'health checks' which provide the information for prioritising the review activity should therefore supplement the in-depth reviews.
- conducting the actual reviews will consume resources. Implementing the findings will require co-ordinated and sustained action. Both of these will only happen effectively if they are planned for within each department. Therefore, the reviews scheduled for a given time period and the actions to implement recommendations from previous reviews must be included within the annual service plan.

- 1.9. This framework paper elaborates the general stages of the review process, confirms the importance of competition, and encourages councils to involve the private and voluntary sectors and employee representatives in developing their procedures for continuous improvement.

## **2. The Review Process**

- 2.1. The starting point is to establish a review programme:-

### **2.1.1. Determine a manageable element of each service or activity and agree a timetable as part of the rolling programme of review.**

A schedule of reviews should identify the scope of the review, responsibilities and resources allocated to carry it out, and a provisional timetable. However, the initial programme may need to be modified depending on whether other “triggers” occur that indicate that a particular activity needs to be reviewed more, or less urgently, than first anticipated. Triggers would include:

- poor performance identified through comparative data
- poor performance identified through complaints by customers or staff, audit or inspection
- performance deteriorating
- cost reduction targets
- new legislation
- a contract coming up for renewal
- learning from others (eg innovative practice identified elsewhere, application of new technologies etc.)
- changes in organisational structure (eg reviewing the client/contractor split)
- time since activity last reviewed
- etc.

A council should be able to show that it has an overall process for managing its review programme (at corporate and departmental levels) that allows it to prioritise and respond to this range of triggers.

The review schedule will therefore need to have a measure of flexibility, with topics being added or dropped as priorities or opportunities change. Elected members and senior officers will have a major role in overseeing the review schedules. Whilst priorities will inevitably be framed on the basis of the political priorities and the level of support (political/management/staff/public) for taking action, the key drivers are the:

- likely potential for service improvement and/or making savings
- seriousness of identified problems.

Carrying out a review is not an 'add-on' to normal activity. It is a fundamental part of a department's responsibility and should be set out in annual service plans. Clearly, where there are linkages between service areas or departments, then account should be taken of this in co-ordinating reviews within those departments. Note should also be taken of the timetable of reviews or good practice guidance being developed by others such as the Scottish Office, Inspectorates, the Accounts Commission or CoSLA.

The review process must be properly resourced and recognition given to the demands being placed on elected members, management and staff in developing a programme which is deliverable. Training and support may also be required at a corporate level to support review activity in departments.

The aim should be for all departments to have a review programme so that improvements are taking place across all services, rather than an approach that focuses all attention on one or two services each year. In the interests of achieving a balance regarding the skills available in conducting reviews, it would be advisable to have a mixture of complex and more straightforward reviews taking place at any one time.

It is important to remember that the review programme should also cover activities that have been externalised or are being carried out through any form of partnership or third party arrangement. In any circumstance where the council retains responsibility for setting standards, or provides resources, it will wish to make sure that continuous improvement is being pursued.

### **2.1.2. Ensure consultation with customers/citizens and other stakeholders, to establish affordable service standards and targets which meet their needs**

Best Value is about the quality of a council's relationship with the community it serves. It is about being accountable to the community by involving citizens/customers and other stakeholders in decisions about services and in assessing performance (including the customers for support services). In implementing Best Value, councils will need to show that they are developing effective means to encourage involvement when reviewing services and past performance.

It is essential that a council's approach to consultation is one which seeks to secure and sustain a positive response from local people. In this respect particular attention will need to be given to involving groups often excluded from involvement in decision making and the democratic process - black and ethnic minority communities, disabled people etc. This positive response will largely depend upon the extent to which the issues are presented to allow for informed debate and the council's responsiveness in taking account of their views in the review process.

Consultation is not limited to one stage in the review process. First, customers and citizens should be consulted on the measures and standards of performance of importance to them. They will need to be informed about current (and comparative) levels of performance and possible targets for the future. Information should also be provided on what is achievable with the resources available including the trade off between quality and cost. Later if a council seeks to change the basis of its service delivery, consultation should take place on the options available.

The level and scope of involvement of customers/citizens will also be determined in relation to the purposes of the review. The more that a review is dealing with strategic issues, the wider the involvement is likely to be. As a review focuses more on specific service standards, then involvement will concentrate on service customers and potential customers. The project plan for a review should make it clear who is to be involved, why, and how. The cost and complexity of consultation and participation processes should be consistent with the nature of the review. In order to promote the development and exchange of good practice CoSLA has circulated an analysis of Best Value submissions relating to customer/citizen focus. Further guidance on the use of techniques based on work undertaken by Aberdeenshire Council is planned.

There is also a need to build on the experience of elected members and front-line staff as invaluable sources of information on a council's performance and complementing the feedback from the customers and citizens. Involvement of employee representatives and staff is also essential in any plans to change the way in which services are provided. Only then will staff (and elected members) have any real ownership of the review process and outcomes.

The private and voluntary sectors are major customers of council services and councils should ensure that mechanisms are in place to consult these sectors as part of achieving customer/citizen focus. The review process itself should be designed to foster an open and constructive dialogue with these sectors, encouraging additional skills and resources in helping a council to deliver Best Value. Consultation, therefore, would need to seek information from these sectors on:

- the range of goods and services they can provide
- the cost and likely quality of these goods and services
- the possibilities of developing partnership arrangements, and
- on alternative ways of delivering services.

### **2.1.3. Establish current performance and need/scope for improvement**

One of the purposes of a review is to assess performance and identify the scope and options for achieving improvements. Without relevant and reliable performance information and comparative data, it will be difficult to make any objective assessment of levels of performance or whether better value is being obtained year on year. Performance information is thus fundamental to support the demonstration of continuous improvement and should be generated as part of routine management information and through ad hoc research exercises/customer satisfaction surveys. Comparative performance data as well as benchmarking exercises should be used in a way which seeks to identify and learn from the best, whoever and wherever they may be. CoSLA has arranged benchmarking workshops and a toolkit is in preparation.

Where a market exists and a service can be readily specified, then a council would need to show whether or not a service was performing well in a benchmarked comparison with other providers in the public, private or voluntary sectors. Where this is not possible they should market test the service to demonstrate that Best Value is being achieved. That is not to say that benchmarking or market testing is possible or appropriate in every circumstance. Where there is no established market for a particular service, there is no point in pursuing a tendering strategy. However, councils should not simply presume there is no market without some investigation.

### **2.1.4. Determine the most appropriate form of service delivery**

In relation to performance, where comparisons are possible, there are three categories in which performance may fall:

- significantly worse than known feasible comparators
- comparable to other feasible providers
- significantly better than feasible comparators.

Ideally, the first situation would have been identified in the general “health check” first and so have triggered a review of that activity as a priority. Where a service was not achieving satisfactory performance, a council would have two choices. One would be to set out an improvement plan that would, within a reasonable timescale, bring the current provider (in house or external) up to a comparable standard with other providers. The plan would need to set out in detail what was to be done by when and what level of performance was to be achieved. Crucially, it would have to include what monitoring arrangements would be put in place and what measures would be used to assess progress. Most improvement plans fail because of lack of support from elected members and senior managers or because of poor project management skills. The plan will need to show how these issues are being addressed.

If targets were not achieved, the council would then review what further steps were required and set out proposals for action. This may include looking at alternative delivery options where a market existed. Where no alternative provider was available, more radical change in the current provider would be called for. A decision to leave the service with the current provider pending improvement must be justified through a business case rather than by reference to any ideological argument.

Alternatively, where a current provider was not delivering Best Value, a council may decide (contractual arrangements permitting) to move immediately to involving other providers (in house or external) as a means of getting better performance. That involvement may be achieved through open competition, through establishing partnering arrangements or other vehicle (through a PFI arrangement etc). Whether this option was available and worth pursuing would depend on each situation - for example:

- are there potential alternative providers?
- what are the benefits to the council of using external providers or bringing the work in-house?
- what are the comparative costs of alternative delivery options?
- can alternative providers meet specifications?
- what are the views of service users in relation to alternative providers?
- does the council have existing contractual arrangements which can be utilised?

Where levels of performance are average or good, a council may still decide to conduct a review to explore alternative arrangements. Reasons could include:

- to see if further improvements can be achieved through a radical change in delivery mechanisms
- the need to open up alternative sources of investment
- opening up access to further markets through partnership
- tax advantages through use of not-for-profit structures
- need for increased customer/community involvement
- opportunities for improvements through re-packaging existing activities
- future demands being beyond the capacity of the current service provider to deliver.

In other words, councils need to be alive to the possibility of using different service delivery arrangements and adopting a structured approach to continuous improvement even where current performance is acceptable. In assessing the options available, councils must of course have regard to the need to act within statutory powers. They must also take full account of the relevance and impact of TUPE regulations.

There is a logic that says where a service can be properly specified and the specification accurately captures the service requirements from the customer's viewpoint, then a competitive tendering process will by definition identify the most cost-effective way of delivering that service. This argument is particularly relevant where quality factors can be pre-specified and built into the contract. Service quality only has meaning where it can be set out in terms of expected behaviour from the service provider (eg by using the ServQual methodology). Whilst it may be difficult to measure or control some aspects of service quality (eg measuring whether clients are being treated with respect) it is generally possible to operationalise such concepts through describing expected behaviour or the sort of training, experience or certification that contractor's staff should have.

In these circumstances and where a market exists there is a strong case for using open competition to demonstrate that Best Value is being achieved. Councils should not configure their services simply to exclude the possibility of competition. However, nor should they configure them solely to meet the demands of external providers. The fundamental logic is to design services so that they meet customer needs at an affordable price. Ensuring that competition is fair and transparent in part requires councils to follow good procurement or tendering practice (see CJC Guide to Voluntary Competitive Tendering). It also requires a recognition that the delivery of quality and value for money is dependent on having well-trained and motivated employees and the adoption of best employment practice whether or not the work is done in-house or externally.

CCT did not deliver the fair employment agenda. The use of CCT also generated an adversarial relationship between client and contractor, inflexible and unresponsive services and a general failure to deliver continuous improvement. There is always a danger that VCT could produce some of these problems. For these reasons councils may wish to investigate the partnership route as a way of ensuring that appropriate employment conditions are secured without the tensions that can arise under competitive bidding. Whatever the method used, however, it must be supported by a costed business case and the criteria that were used to arrive at that choice must be clearly demonstrated.

#### **2.1.5. Implement decision and introduce monitoring and review of performance**

Improvement plans which build on targets for continuous improvement should be seen as the required output from all review activity. Moreover the whole purpose of reviews will only be realised if these targets are delivered.

Improvement plans should use SMART objectives, set clear timetables and milestones and allocate responsibility for achievement. Some of the measures of performance will relate to project management tasks (eg completion of task by key dates) but more importantly others must relate to better quality and value for money in service delivery.

A council must establish its own monitoring arrangements to ensure the plans are implemented. There should be a corporate process for ensuring that improvements are carried through but this should not be done in such a way as to centralise the improvement process. Responsibility for achievement needs to remain with the operational managers.

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## 6 Feedback and reporting

### Meeting with service manager(s)

#### Feedback

The date for meeting with the service manager(s) will have been set at the beginning of the audit. It should take place no more than six weeks after the service has forwarded its submission to the auditor.

The purpose of the meeting with the service manager(s) is to provide quick, structured feedback on the audit findings and to provide an opportunity for dialogue with the service about its PMP approach.

At the meeting the auditor should:

- challenge the service on its submission and planned improvements
- discuss key audit findings and agree factual accuracy
- seek a response from the service to the key areas of concern recorded on the audit templates.
- agree the planned improvements against which progress will be monitored in future years.

### Preparing an agenda

In advance of the meeting, the auditor should provide the service manager(s) with a copy of the completed audit templates and a suggested agenda covering key findings from the audit. These will form the basis for discussion.

If the audit has revealed any weaknesses in the service's current practice and approach, these should be discussed with the service manager(s).

The auditor should establish whether these weaknesses are addressed by planned improvements, and if not these should be discussed. The auditor should note the service's response where it does not intend to address any identified weaknesses.

The auditor should also give general feedback on the quality of the service's submission.

## Audit reporting

**Service area reports** Each service audited will receive a written report documenting the areas covered by the audit, the auditor's findings and the agreed improvement actions. These should be sent to the service no more than two weeks after the meeting with the service manager(s). A template for the report is provided at Annex 6.1 You should review your draft report against the reporting checklists at Annex 6.2.

**Report to the Chief Executive** You should also produce an overview report for the Chief Executive. The purpose of this report is to:

- provide the Chief Executive with an overview of the PMP audit, detailing any corporate issues that have emerged your review of the three service submissions
- provide the Chief Executive with copies of the service area reports.

The overview report will form the basis for the feedback and discussion meeting with the Chief Executive. To prepare this report you should review the findings from all three service area audits and identify:

- areas of concern
- common strengths or weaknesses
- differences in approaches or performance across the areas audited where services may learn from each other
- potential corporate issues from the reviews of consultation, service planning, performance reporting, benchmarking and service reviews
- if services have not considered service reconfiguring in any of their review activities, the corporate guidance issues from the Commission's publication *Better together?* should be discussed with the Chief Executive.
- if services could benefit from use of the Commission's publications, eg on benchmarking and performance information then this should be discussed with the Chief Executive.

The feedback and discussion meeting with the Chief Executive should cover these areas. A note of the outcome of the meeting should be prepared and sent to the Chief Executive.

**Reporting to Commission HQ** Please ensure that copies of templates, agendas and notes of meetings and reports are sent to MSU by the completion of the audit.

## Reporting template - service area reports

### Aims of reporting template

It is essential that all reports are prepared to a consistent format using the following template.

The aims of this guidance are:

- to set out a minimum standard which each local report must reach.
- to help Auditors develop a concise, well structured report, based on a report grid
- to ensure consistency of reporting across audits.

### Report structure

The structure is intended to allow the audit findings to be presented in a logical sequence, which makes sense to the reader and gives impact to the issues of greatest importance.

The recommended structure is:

#### Executive summary

- Introduction
- Overall conclusion
- Summary of main findings

#### Main report

- Introduction
- Scope and objectives
- Audit approach
- Audit activity
- Findings under each criterion, emphasising the following areas in particular:
  - Consultation
  - Service planning
  - Financial and performance reporting
  - Benchmarking
  - Service review

#### Agreed improvement actions

Including commentary on any areas of disagreement.



## Report Checklist

You should review your report against this checklist to ensure that it meets the standard expected.

### **Covering the key issues**

Does your report

- provide a clear picture of problems and priority issues?
- cover each of the PMP criteria?
- include a list of improvement actions that meet SMART criteria?

### **Communicating clearly**

Have you:

- followed the recommended report structure?
- highlighted the key findings in the executive summary?
- written with a constructive and convincing tone?
- used plain English actively and concisely, to hold the reader's interest?

