

PERFORMANCE AUDIT

Making progress with Best Value

A national overview of the Performance Management
and Planning (PMP) Audit 1999/2000

EXECUTIVE SUMMARY

Preface

Promoting the economic, efficient and effective use of resources in Scottish local government is one of the central planks of the Commission's strategy. We have been pleased to contribute to the development of the Best Value agenda, working in partnership with the Scottish Executive and CoSLA, and the production of this overview report marks a significant step forward with that agenda.

In 1999 we commissioned a review of how councils were progressing in the implementation of Best Value across a selection of three services of their choice. Each council has a report on their individual findings to assist them in continuous improvement.

This overview, prepared by Audit Scotland on our behalf, gives an assessment of the position to date across Scotland.

The report highlights the progress which has been made in most services in implementing performance management and planning arrangements, demonstrating that councils are adopting the principles of Best Value in their processes.

The report also identifies three aspects of performance management and planning where progress is slower than we hoped. These are:

- identifying different options for service delivery, and evaluating the current service against these
- linking budgets and other resources to key service priorities
- reporting a full and accurate picture of service performance to decision-makers.

The first of these, option appraisal, is at the heart of best value. Councils need to apply the "4 Cs" – challenge, compare, consult and compete – if they are to be able to demonstrate that they have identified the best ways to delivery quality services.

We, as a Commission, will continue to use the audit process to help develop Best Value in Scottish local government to secure improved services for our communities at the same time as making best use of taxpayers' money.

Sound performance management and planning lie at the heart of the Government's drive for Best Value in councils. This report summarises the key messages from Audit Scotland's audit of councils' performance management and planning arrangements. A detailed report, which also contains many examples of good practice, is also available from Audit Scotland.

Professor Ian Percy, Chairman of the Accounts Commission

Background

Best Value in Scotland requires every council to develop effective performance management and planning arrangements which enable it to answer the four key questions set out in Exhibit 1. These arrangements are not ends in themselves; they underpin the council's work to improve services and strengthen accountability. They allow the council to focus its activity more effectively on the priorities of the citizens and communities it serves, and enable it to make best use of its resources in addressing these priorities.

Exhibit 1: The PMP framework

Q1: How do we know we're doing the right things?

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

Q2: How do we know we're doing things right?

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

Q3: How do we plan to improve?

9. We actively support continuous improvement

Q4: How do we account for our performance?

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

Best Value is still developing, and so are the scrutiny arrangements that support it. Future reports will provide a more rounded picture of the performance of councils, combining information on the quality of management arrangements with information on performance and the improvements achieved year on year. The Accounts Commission and Audit Scotland are working with councils and the Scottish Executive to develop this information, which will be valuable to councils in planning and managing their services, and to citizens, service users and other stakeholders in holding councils to account.

This progress report provides a snapshot of councils' performance management and planning, based on the Accounts Commission's audit approach for 1999/2000. The audit was designed to assess and support each council's progress by assessing its arrangements for performance management and planning against ten criteria that make up a sound approach. These are set out under the four key questions in Exhibit 1.

The PMP audit was applied for the first time in all Scottish councils in 1999/2000. Each council selected three services to be audited. Auditors examined their approaches to nine of the ten PMP criteria. Public Performance Reporting (criterion 10) was excluded from the first PMP Audit as councils had only recently agreed their approaches with the Scottish Executive.

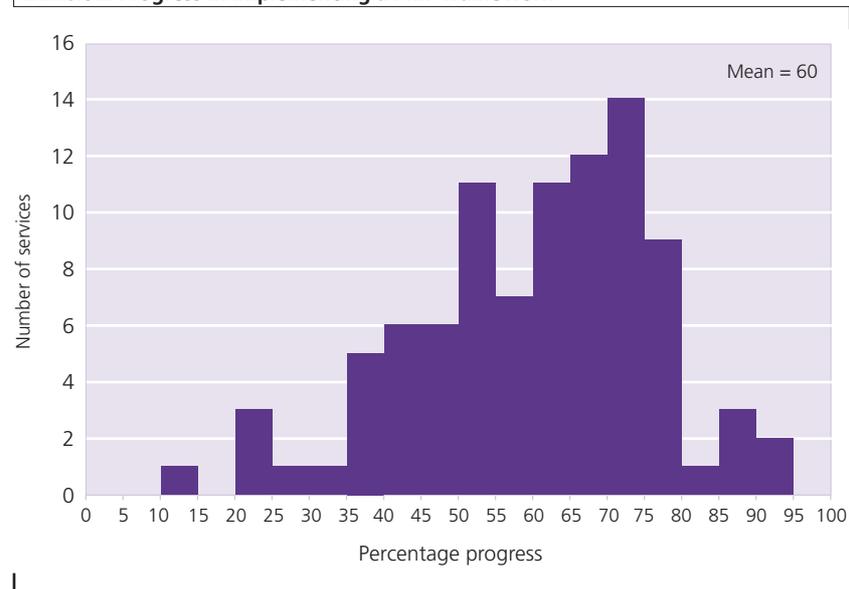
Councils had the freedom to select which of their services would be audited, and some services were known to be making more progress than others. The findings from the audit are therefore not necessarily a representative sample of all council services but they do give an indication of the progress being made. The picture will become clearer as the audit approach is developed next year.

Transparency and accountability are key features of any audit. However, at this early stage in the development of Best Value, the Accounts Commission believes that challenging and supporting individual councils is more important than publicly identifying those services that are making slower progress in the implementation of performance management and planning arrangements. All audited services have committed themselves to specific improvements to strengthen their approach to performance management and planning. The Accounts Commission will report on the extent to which these improvements are achieved in next year's progress report. The key findings of the first year's audits are set out below.

Key findings

Most of the 96 services audited had made progress in developing and implementing performance management and planning arrangements. About two thirds of services achieved overall 'progress scores' of between 50% and 75% in developing the key management features of a best value service.

Exhibit 2: Progress in implementing a PMP framework



Around one in six services had made greater progress. These services were:

Dundee City Council	Social Work Libraries and Community Information
City of Edinburgh Council	Housing Leisure Management
Moray Council	Economic Development
North Lanarkshire Council	Housing & Property Services Catering Services
Perth & Kinross Council	Leisure & Cultural Services
Renfrewshire Council	Housing Management Community Care Finance (Accounting & Budgeting)
Scottish Borders Council	Leisure & Recreation
South Lanarkshire Council	Housing Services Social Work Services to Older People
Clackmannanshire Council	Chief Executive's Services
Falkirk Council	Corporate Services
Inverclyde Council	Legal Services

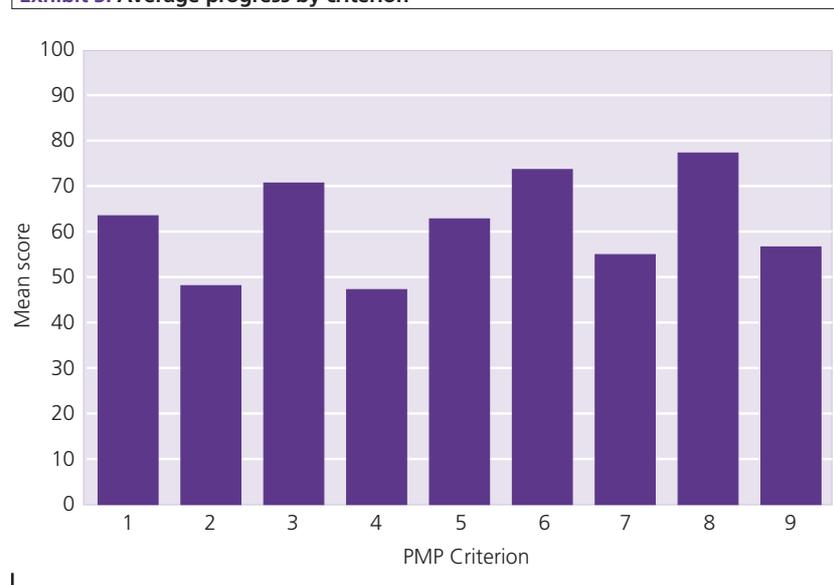
However, a further sixth of services had made only limited progress and still have considerable work to do to develop their performance management and planning arrangements. There are variations between and within councils in the quality of performance management and planning arrangements. No audited service has all of the key management features; most services had both strengths and weaknesses.

Some service groups are stronger at particular aspects of performance management and planning than others. Housing services were typically strong at addressing most of the key management features across the nine criteria. Environmental & Consumer Protection were making least progress. These findings point to opportunities for learning and sharing good practice within and between different service areas.

Progress is particularly slow with three aspects of performance management and planning (Exhibit 3):

- identifying different options for service delivery, and evaluating the current service against these (criterion 2)
- linking budgets and other resources to key service priorities (criterion 4)
- reporting a full and accurate picture of service performance to decision-makers (criterion 7).

Exhibit 3: Average progress by criterion



Option appraisal is at the heart of best value. Councils need to apply the '4Cs' – challenge, compare, consult, compete – if they are to be able to demonstrate that they have identified the best ways to meet the needs, expectations and priorities of their stakeholders. In particular, they must consider whether alternatives to direct service provision would provide better value for money, and be able to demonstrate that their decisions are robust. Achieving real service improvements will depend critically on these mechanisms, and councils must ensure that real progress is made. The Accounts Commission will be paying particular attention to this aspect of Best Value over the next 12 months.

Finally, many services are addressing key management problems only as part of their best value reviews. These councils are failing to take steps now to ensure that sound performance management and planning arrangements are being developed for all their services. Instead, action is being postponed until a best value review is undertaken, possibly some years away. The audit of corporate performance planning and management arrangements that is now underway will provide more information on this aspect of Best Value.

Progress in developing performance management and planning

The PMP Audit assessed services' progress against nine criteria designed to reflect the key elements of performance management and planning. The findings are outlined below. Each service is committed to a number of improvement actions to address its own particular weaknesses.

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

Most services had made considerable efforts to ensure appropriate consultation with their key stakeholders. Auditors found that:

- all services had approaches to consultation in place, although the sophistication of these varied between services
- over 80% of services had clearly identified their key stakeholders
- around 90% of consultation exercises reached their intended audience.

But ...

- one third of services were not clear on exactly what they were trying to find out from their consultation exercises
- two thirds had no criteria for assessing whether consultation exercises had been effective or whether they offered value for money
- 40% of services did not co-ordinate their consultation work with other parts of the council
- one third of completed consultation exercises produced no clear recommendations for service improvement.

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

Most services had set out an approach to evaluate alternative service delivery options. More than 80% of services had prioritised areas where an option appraisal would be done.

However, most services are making slow progress in rigorously applying these option appraisal approaches. Auditors found that:

- many option appraisal exercises had not considered a full range of options; just over half had identified the range of options that auditors might have expected to see
- around 50% had no agreed criteria for choosing between alternative options
- around 40% had little rationale for omitting particular options from the appraisal they had undertaken
- nearly two thirds had not informed elected members of the strengths and weaknesses of the various options.

3. We have detailed plans for achieving our goals

Service plans are in place in virtually all services. However, the quality and usefulness of these vary considerably. Auditors found that:

- more than 90% of audited services had plans in place
- around 85% of services had established plans that linked (with a varying degree of formality) to the activity of their key partners.

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

Very few services have a rigorous approach to properly costing their plans and setting out the required resource implications (budgets, staff and assets) of planned objectives. Auditors found that:

- only around 50% of services had identified the resources they were likely to have available over the next three years
- two thirds had not costed their service plans (ie made substantial progress on integrating their planning and budgeting processes)
- only one in twenty services had developed approaches to multi-year planning and revenue budgeting.

5. We make best use of our available resources

Most audited services had information systems that allowed them to assess their resource use. Auditors found that:

- 70% had information on how they were performing in managing their resources
- around half had undertaken comparisons of how their resource management performance compared to others.

6. We make best use of our people

Most services were doing well in people management. Auditors found that:

- 95% of services held accurate and up-to-date information on staff numbers, turnover, absence levels and overtime
- 70% of services had identified the key measures needed to assess staff performance
- the use of staff development and appraisal processes and training plans was widespread
- two thirds of services could point to improvements in people performance.

7. We monitor and control our overall performance

Performance monitoring and reporting is variable in services. Monitoring is typically more robust than reporting. There are some services where considerable improvement is required. Auditors found that three quarters of services had identified key performance measures linked to their goals and objectives.

But ...

- fewer than half reported their performance to their key stakeholders on a regular basis
- just over half the reports to decision-makers outlined a picture of performance that allowed the reader to assess whether the service was being adequately managed
- fewer than half of the reports clearly identified any slippage in performance.

8. We have sound financial control and reporting

Financial control systems are well established in most services. However, many services did not subsequently report information to decision-makers in a form that allowed them to understand easily the key messages about financial performance. Auditors found that around 90% regularly reported up-to-date information on their financial performance to decision-makers and budget holders.

But ...

- in only about two thirds of instances did the reports easily allow the reader to make a judgement about financial performance
- in 30% of cases it was difficult to decide from the reports whether financial performance was being adequately controlled
- around half failed to set out corrective actions to control any slippage.

9. We actively support continuous improvement

Many services are committed to continuous improvement and can point to improvements in service delivery as a result. However, most services need to refine their approaches to benchmarking, to ensure comparison of processes as well as data. A number of services also need to apply the '4Cs' more rigorously in their best value reviews.

Auditors found that:

- over 80% of services had clearly determined the key steps they needed to take to support continuous improvement and made progress in implementing them
- around 70% collected and used customer feedback to improve performance
- two thirds had agreed approaches to benchmarking (a similar number had prioritised the key performance areas they intended to benchmark).

However, where benchmarking exercises had been undertaken:

- fewer than half had involved benchmarking of processes as well as data
- fewer than half had looked outside local government for their benchmarking partners
- fewer than half had resulted in recommendations for service improvements as a result of the completed work.

Where best value reviews had been undertaken, 90% set out a clear process to be followed at the outset, although over a quarter subsequently failed to follow this approach. Auditors found that:

- only around half of the reviews looked at whether the service should continue
- a similar number looked at the level of service provided and the way in which it should be provided in the future
- two thirds incorporated some form of independent challenge of the findings (usually from officers outwith the service)
- fewer than half involved members in the process (although more than three quarters clearly set out review findings in reports to members).

The future

The Scottish Executive is currently consulting on the next steps in the development of Best Value in Scotland¹. Key issues for consultation include the need for a specific duty on councils to achieve continuous improvement, the arrangements for scrutiny of Best Value and council performance, suitable

¹ Scottish Executive, 'Best Value in Local Government: next steps', June 2000

powers of intervention in poorly performing councils, the role of competition, and the need for savings targets for best value activity. This progress report should help to inform the debate on the future of Best Value.

The PMP audit is continuing. A further three service areas are being audited in each council in 2000/2001. The service-level audit has developed to encompass all of the features of a best value council outlined by the Best Value Task Force.

For those services covered by the first PMP audit, auditors will review what progress has been made in implementing improvement actions. These actions are designed to address the main weaknesses identified in the performance management and planning arrangements of each service. The Accounts Commission will report on this next year.

A corporate level PMP audit has also been added. This will be undertaken in every council in 2000/2001. It will focus on council-wide arrangements for supporting, implementing and reviewing services' arrangements for performance management and planning. The audit will assess what service improvements have been achieved as a result of Best Value reviews, and these findings will be included in next year's progress report.

The Accounts Commission

The Accounts Commission is a statutory, independent body, which, through the audit process, assists local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has five main responsibilities:

- securing the external audit
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- reviewing the management arrangements which audited bodies have in place to achieve value for money
- carrying out national value for money studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information which they are required to publish.

The Commission secures the audit of 32 councils and 34 joint boards (including police and fire services). Local authorities spend over £9 billion of public funds a year.

Audit Scotland

Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Accounts Commission and the Auditor General for Scotland. Together they ensure that the Scottish Executive and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Audit Scotland publishes reports for local government on behalf of the Accounts Commission.



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