

ANGUS COUNCIL**POLICY AND RESOURCES COMMITTEE - 8 DECEMBER 1998****PROPOSED MANAGEMENT ARRANGEMENTS AUDIT FOR BEST VALUE -
CONSULTATION PAPER****REPORT BY CHIEF EXECUTIVE IN CONSULTATION WITH THE
MANAGEMENT TEAM****ABSTRACT**

The Accounts Commission has invited comments on a consultation paper on the proposed changes to the Management Arrangements Audit system to meet the needs of the developing Best Value approach. This report suggests a response to the Accounts Commission.

1. RECOMMENDATIONS

It is recommended that the Council: -

- (i) notes the content of this report and the proposals by the Accounts Commission on changes to the Management Arrangements Audit system to meet the requirements of Best Value;
- (ii) welcomes the opportunity to comment;
- (iii) agrees with the general thrust of the consultation proposal and the specific answers detailed in this report;
- (iv) agrees that this paper be sent as the Council's comment to the Accounts Commission with a copy to COSLA, taking into account any comments by members.

Note: A copy of the consultation paper is available in the Members' Lounge.

2. BACKGROUND

Members will be well aware that prior to the introduction of Best Value, the Accounts Commission had been developing a system to ensure compliance with their duty to ensure that Councils were delivering services economically, effectively and efficiently. Auditors have a continuing statutory duty to assess whether a Council has proper management arrangements in place to secure value for money.

In the light of the introduction of Best Value, the Accounts Commission has considered how the Audit Management approach can be amended to aid the development of Best Value. The Commission has now issued a preliminary

paper indicating how the Audit processes may be adapted to aid the development of Best Value.

The consultation paper makes clear that the present consultation process is on the general principles of the proposed approach in respect of the review of the Management Arrangements Audit. A further consultation paper will be sent to Councils around March next year.

3. DETAIL

The Commission notes that the Management Arrangements Audit has so far been based on two self-assessment modules - one in February 1997 (Module 1: Planning and Control) which Councils returned in June/July last year. The second module was one released in November 1997 (Module 2: Managing People) which Councils completed and returned earlier this year. Module 1: Planning and Control, and formed a major part of the Best Value framework that Councils were asked to apply in developing their first Best Value Implementation Plans by last September.

In this authority there were a corporate and budgetary control review as well as audits across all Departments, although only the reviews carried in the Education, Social Work, Roads and Housing Departments were subject to formal audit.

The Accounts Commission notes that as the Modules were launched before the advent of Best Value, in the first year of Best Value Councils had to deal with Management Arrangement Action Plans and the Best Value Implementation Plan. The Commission says it took steps to minimise the problems of perceived duplication by holding back further modules and by integrating the audit of management arrangements and Best Value presently being carried out.

The Accounts Commission notes that Circular 12/98 from the Scottish Office set out a Performance Management and Planning (PMP) framework for taking Best Value forward. That Circular stated that "the audit process will be used to cover the quality and content of all parts of the PMP framework by May 2000".

The PMP framework requires a more wide-ranging assessment across the whole Council and to a greater depth than the current Management Arrangements Audit coverage.

"The Commission will therefore develop its Management Arrangements Audit framework further to integrate existing management arrangements coverage with all the elements of PMP."

The Accounts Commission says the approach has been based upon self-assessment modules. These provide a structured approach for a Council to assess itself against a set of prompts and tasks, identify and prioritise improvement actions, and formulate an action plan for implementing the improvements. This overall approach was designed to support continuous

improvement. The audit process is used to monitor the self-assessment and subsequent progress against the Action Plans.

Self-assessment is used for a number of reasons:-

- it makes use of the expertise and experience in the organisation;
- it encourages ownership of the findings and Actions Plans; and
- it allows extensive coverage of a Council.

“We intend to continue with this approach,” says the Commission.

The Best Value audit process envisaged in the paper is aimed at supporting Councils and their quest to improve and succeed. But where significant poor performance occurs, then the audit will identify where action is needed.

“We intend to ensure that the new audit framework is aligned as fully as possible with the planning processes within the Council, in terms of both timing and content. This means that the Management Arrangements Self-Assessments should be carried out in a timescale that allows the improvement actions that are identified to be included in the Council’s Service Plan. In other words, the self-assessment will input directly into service planning and budgeting.

Referring to Public Performance Reports (PPRs), the Commission says that the content of PPRs will be derived mainly from strategic and service planning systems within Councils, which form a cornerstone of the PMP framework. In designing the audit framework for PMP therefore, the Commission has to have regard to the proposed content of PPRs to ensure that the required information is generated and that PPRs and PMP are fully integrated.

The Commission notes that Circular 12/98 gave brief details of what might be in a PPR and promised further consultation on their content introduction. The Commission says that the audit framework for PMP will focus strongly on planning and performance management processes and the link to reporting through PPRs. The suggested possible contents for a fully developed PPR is as follows: -

- A brief outline of Council/Departmental strategic and service objectives and priorities and performance against those objectives.
- Key projects/actions for implementation, including details of any developmental objectives/actions (Revenue) which have been agreed or are proposed for the service area.
- General prescribed Council-wide indicators, supplemented with key service specific performance information (both statutory and locally determined).

- The standards of service which have been promised (including any national standards of performance set in that service area), and performance against those service standards.
- Annual and medium/longer-term targets for improved performance and efficiency, together with proposals for how these improvements are to be achieved.
- Details of performance against previously specified improvement targets.
- Comparative information which allows judgements to be made on the Council's performance. This should include comparisons with other relevant organisations.
- Details of services that will be examined as part of the Council's review programme.
- Implications of recent review findings for service users and other stakeholders.
- How consultation was carried out and the results used.
- The Commission also suggests that services that do not report through a PPR should nevertheless be able to provide the same range of information for internal management purposes within the Council.

The Commission notes that PPRs are specifically for communicating with the public and the content and presentation should reflect that fact. It notes that the first prototype PPR is required for May/June next year. It says that it may be unrealistic to expect the first PPR to be able to cover all the elements listed above. It notes that the Task Force will be consulting with Councils on the content of PPRs and the options for presenting PPRs to ensure that they are effective in informing customers and citizens about their Council's performance.

The Commission says that it fully supports the view that Best Value should be integral to the way a Council is run and not seen as an extra burden. It notes that the PMP framework requires Councils to be able to demonstrate that they are effectively addressing the four key questions: -

- How do we know we are doing the right things?
- How do we know we are doing things rights?
- How are we going to improve?
- How are we accounting for our performance?

The Commissions says that the management arrangement audit is likely to assess: -

- the extent to which the Council's strategic and service planning processes enable it to answer the four PMP questions at both corporate and departmental levels;
- the extent to which the four PMP questions are adequately addressed by the Council's service review process;
- the adequacy and integrity of the PPR content;
- how effectively PPRs are disseminated to the public; and
- the Council's own quality assurance processes for ensuring that it is pursuing good practice in each of the three areas mentioned above (PMP, service reviews and PPRs).

It says that the audit must cover the processes and structures a Council uses to manage itself and the actual performance achieved on the ground. The Management Arrangements Audit concentrates on the infrastructure. Value for money studies and specific Performance Indicators concentrate on generating performance information and identifying good practice for specific activities.

The Commission says that the Councils will be expected to make use of relevant value for money studies, statutory and non-statutory Performance Indicators, reports and information from Her Majesty's Inspectorate as well as the performance review results from other sources such as application of the European Foundation Equality Model and Investors in People Assessment.

The Commission says that the audit process will be used to examine how the four key questions, referred to above, have been applied at corporate level across the Council; at departmental level and as part of the service review process.

The Commission's aim is that the Management Arrangements Audit will provide a systematic and challenging framework for improvement, identifying core process and products but it will allow flexibility in the precise form that these take in a particular Council to reflect local decision.

They say that the following audit guidance will be developed in consultation with stakeholders: -

- A self-assessment framework covering PMP at corporate, departmental and service review levels.
- How to audit a service plan.
- How to audit a service review.
- How to audit the quality assurance processes required for PMP.
- How to audit a PPR (its contents, production and communication).

It notes that many Councils have been developing their own guidance on these subjects and notes that the development of the audit framework is its self a developmental and learning process. It will take two to three years for the material, approach and organisation to be fully developed.

"Best Value is a challenge for the Commission as much as for the Council," says the Commission.

The Commission asks for comments on: -

- the underlying philosophy of the new approach;
- the proposed coverage and range of audit products; and
- how good practice within Councils could be most effectively identifying and disseminated.

4. COMMENTS

The Accounts Commission's proposals to align the audit of Management Arrangement approach with the general proposals for Best Value are welcomed. The underlying philosophy of the new approach is also welcomed, given the theoretical framework that it provides in terms of highlighting the key factors that must be taken into account in developing the Performance Management and Planning framework.

However, experience has shown that the Accounts Commission's approach, whilst theoretically sound, tends to become exceedingly bureaucratic and cumbersome in its application. There is also the theoretical difficulty that the approach focuses on quantifiable measures that may never effectively deal with quality issues.

The overall aim of the development of Best Value must surely be to reinvigorate the democratic process that will involve political decisions on quality/cost factors. Given the present emphasis on quantity, the tendency developing in the approach may be to concentrate on that which can be measured as against a democratic choice of quality of objectives.

No doubt the approach can deal with these aspects in the longer-term, but in the meantime the danger of an increasingly audit based, tick box approach, dependent on the supply of written evidence showing that which has been done, should be recognised.

The difficulty of confusing quantity with quality must also be borne in mind in addressing the second issue, the proposed coverage and range of audit products.

Taking into account the Accounts Commission's view of a fully developed PPR (see above) there is a significant danger of system overload so far as the citizen/stakeholder/elector is concerned.

Once again the philosophy that more information will equate with a better-motivated electorate must be questioned. As noted in other responses, the Council already provides considerable details on its activities. There is no evidence to indicate that the abundance or absence of such information contributes to the interest in local democratic activity, although it is clear that certain issues will generate, on occasion, vocal local response, e.g. school closures.

In terms of the list of items that a "fully developed PPR" could contain, it appears there is a risk that useful management information is being confused with possible public interest in figures and processes. Whilst there is no doubt there is an interest in figures and processes, the officials would suggest that it is not so widespread nor so intense as to require the process that the Accounts Commission propose.

Given that the proposed coverage and range of audit requirements will have a direct relationship, i.e. the greater the number of processes the more auditing there will be required, it is suggested that further scrutiny should be given to the extent and detail of the proposed coverage and that the electorate should be requested to confirm their views as to their interest in the detail. Whilst it is accepted that the Accounts Commission have a duty to perform in terms of statute, the duty must surely be performed in the light of the overall likely interest of those who are paying for the service to be provided.

If consultation in terms of the service provided is to apply to Councils, then surely this principle must equally apply to those who are to audit Councils' activities.

With regard to how good practice within Councils could be effectively identified and disseminated, the advent of Best Value has already given considerable impetus to the activities of Councils in this regard. It is suggested that given the plethora of practices that are now developing and the geometrically expanding interest by consultants and specialists in promoting their products, a period of general assessment should be allowed.

This would permit Councils to explore the huge variety of products that are now being promoted and assess how they could fit into the general promotion of Best Value and the audit approach. In this process the Accounts Commission could no doubt take a consultancy role, advising Councils as to its general preferences with a view to a range of models being developed.

In addition, given the general interest by local authorities in qualitative measurement aspects rather than quantitative, it is suggested that the Accounts Commission should undertake further specific research on how a general qualitative survey approach might be developed on a national basis.

5. CONCLUSIONS

Whilst welcoming the general philosophy behind the approach, concern should be expressed with regard to the practical consequences that may

follow in terms of the range of activities and the methodology for auditing to be applied in practice.

6. FINANCIAL IMPLICATIONS

It is impossible to quantify at this time any financial consequences from the proposals that are outlined. However, given that all of the items that are listed as being desirable by the Accounts Commission were to develop, then the financial impact could be considerable.

7. CONSULTATION

All Departments have been consulted in the preparation of this report.

Note: No background papers as defined by Section 50D of the Local Government (Scotland) Act 1973 other than the Accounts Commission's consultation paper was replied upon to any material extent in preparing this report.

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