

INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

West Dunbartonshire Council

Review of arrangements to ensure the competitiveness of services
Year ending 31 March 2009

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AUDIT

This report is presented under the terms of our appointment by Audit Scotland.

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

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Executive summary

The Council has two significant trading accounts in 2008-09, housing maintenance and grounds maintenance and street cleaning. Other services provided by the Council which are not officially maintained and reported under the Local Government in Scotland Act 2003, however, are still required to demonstrate Best Value.

As part of our audit plan for the financial year ended 31 March 2009, we identified that we would review the trading account activity to ascertain the level to which the actions identified as necessary to demonstrate Best Value had been implemented. This provides direct linkage to the findings of the Accounts Commission and Audit Scotland in their July 2009 report on Best Value and Community Planning which challenged the Council to do more to demonstrate competitiveness and Best Value in commercial activities.

Our review has identified that while the Council has identified the need for improved and revised arrangements for performance monitoring and reporting, there are a number of steps still required to fully implement competitiveness and ensure that the council can demonstrate competitiveness for services provided.

We have limited the scope of our work to a review of the reporting to elected members and, as this is particular to our responsibilities as auditors, to consider the arrangements established by the Council to achieve Best Value, through review of the Best Value improvement plan.

We have made seven recommendations within this report which will enhance the quality of reporting to members. This in turn will enable them to conduct improved scrutiny of performance and discharge their responsibility of ensuring the Council demonstrates Best Value in its activities.

Introduction

A key element of robust Best Value arrangements is an ability to demonstrate the competitiveness of services provided by the Council. Audit Scotland's July 2009 report prepared for the Accounts Commission on 'The Audit of Best Value and Community Planning' at the Council reported that *"the council has made limited progress in establishing arrangements to demonstrate the competitiveness of its services."*

Over the period of our appointment as the external auditors of West Dunbartonshire Council ("the Council") we are required to consider, in conjunction with the Best Value audits performed by Audit Scotland, those controls considered to be part of the wider dimension of public sector audit. This report has been prepared according to our annual audit plan reported to the audit and performance review committee on 25 March 2009.

Our review is carried out in accordance with our responsibilities embodied in Audit Scotland's Code of Audit Practice ("the Code") and through the application of International Standards on Auditing (UK and Ireland).

Background

The Local Government in Scotland Act 2003 requires local authorities to maintain statutory trading operations ("STOs"). The legislation requires that STOs conduct their operations so that income is not less than expenditure over a rolling three year period. The Act did not specifically define those services which must be regarded as trading operations but required local authorities to consider whether STOs should be applied to all services and not just those which were covered by previous Compulsory Competitive Tendering legislation. Joint guidance was, however, published by CIPFA and LASAAC to provide assistance to local authorities in identifying which of their activities should be identified as STOs. An annual review is performed by the head of finance and ICT services to identify any STOs within the Council and confirm that existing STOs are still relevant.

The audit of Best Value and Community Planning by Audit Scotland (published 2007) noted that there was very little evidence that the Council had systematically tested the competitiveness of its services and recommended, as an immediate priority, that the Council *"establish robust arrangements from which the Council is able to demonstrate the competitiveness of its services"*. The Council appointed external advisors, SOLACE, to undertake a review with the purpose of progressing the Council's approach to competitiveness. The outcomes of this review reported in June 2007 were reported to the Corporate and Efficient Governance Committee.

The SOLACE report identified eight key findings and raised a total of 52 recommendations. Since the report by SOLACE was issued the Council has made progress against some recommendations and arrangements are in place to address other issues identified as outstanding. Work-streams have been established to address Best Value manage competitiveness. An action plan to address Best Value was report to the Corporate Management Team in March 2009, however work is still ongoing. More recently, the improvement and efficiency executive reviewed a report which updated the improvement plan. This reported highlighted the key priorities of the Council and focus of the improvement plan going forward.

Scope of review

We note that the Audit Scotland Best Value follow up report concluded that, in respect of competitiveness limited progress had been made in implementing recommendations and that *“the council needs to make significant progress in this area before it will be able to demonstrate the competitiveness of its services”*. Members have a responsibility under the Local Government in Scotland Act 2003 in ensuring that the competitiveness of its services, the best value report notes that *“elected members have not displayed the corporate leadership required to drive forward continuous improvement. Senior officers are working more corporately in support of members, but are struggling to achieve the required changes.”* The scope of our review has been designed to follow-up on these findings, through consideration of the information provided to members throughout 2008-09 in order for them to fulfil their scrutiny and challenge role in respect of the revised Best Value arrangements for trading activities.

Committee arrangements for reporting to members

Under the Council’s existing administrative scheme during 2008-09, the housing, environmental and economic development committee’s terms of reference include oversight of all the service areas for which the Council had been maintaining STOs up to 31 March 2008.

Financial update significant trading operation

Reports have been submitted regularly through the year to inform the committee of the financial performance of the housing maintenance and grounds maintenance and street cleaning STO. The reports inform members that the total budgeted target for the STO is a surplus of £1,483,570, on total turnover of £22,719,610. As at period three in 2009-10, no significant variances of the STO were identified.

There is no specific information in the report in respect of performance measurements, best value review of the service or benchmarking. While it is acknowledged that this is primarily a financial report, the report does not compare the financial performance with prior period results for the STO to give some context to the result.

Recommendation 1

Best Value Improvement Plan

Audit Scotland's July 2009 follow up review identified that *"implementation of the Council's improvement plan has been slow and there is limited evidence of the impact of improvement work."* The report also notes that *"the Council has strengthened coordination and reporting arrangements for the improvement plan, but it needs to prioritise improvement activity more effectively and increase the pace of change."*

Work in addressing the weaknesses identified through this report has been ongoing at the Council. A draft best value improvement plan ("BVIP") was reported to the corporate management team in March 2009. It was expected that the draft BVIP would be presented to Council in August 2009. However, the reporting of this BVIP was postponed. Delays in reporting resulted from the decision to focus officer attention, and the BVIP, on the key priorities identified by the July 2009 follow up report. The key priorities were discussed by the improvement and efficiency executive ("I&EE"), and are due to be presented to full Council in September 2009.

The I&EE includes eight elected members and meets quarterly to provide strategic direction to the BVIP and provide self-assessment, however it has been reported that I&EE meetings operate like formal committee meetings, resulting in the lack of strategic direction. It has also been noted that a lack of attendance and participation by members makes it difficult to drive forward a strong improvement framework, focus on future plans and influence the pace of change.

Recommendation 2

The I&EE has identified four key priorities to be addressed as a direct result of the July 2009 Best Value follow up report, these are:

- strategic leadership;
- competitiveness;
- organisational culture; and
- community engagement.

The structure of the working groups to monitor and drive the BVIP is currently under review. The corporate management team are responsible for driving the BVIP, however it is felt that this excludes a key layer of strategic management. To achieve the four key priorities, a new structure of working has been developed with a four working streams reporting directly into the I&EE.

Specifically, the Council view the key actions to be taken to improve and demonstrate competitiveness are:

- improve benchmarking, including developing activity based costing; and
- assess competitiveness and options comprising overseeing a programme of competitiveness reviews of selected services and implementing a programme of options appraisals on selected services.

We have considered the action taken to date by the Council to achieve both the BVIP and recommendations made by Audit Scotland in the July 2009 Best Value follow up report. We considered the draft improvement plan prepared in March 2009 and the update BVIP report presented to the I&EE in September 2009.

In considering these documents, we identified the following areas of good practice:

- ✓ Each action has been assigned a lead officer responsible for ensuring the task is completed, these officers have been charged with the responsibility of preparing detailed milestones to achieve the over arching action plan.
- ✓ Focused priorities in achieving Best Value have been identified as recommended in the follow up report. The Council has identified key actions to ensure the focused priorities are achieved.
- ✓ The structure of managing and driving forward the BVIP has been reviewed, resulting in fewer reporting lines through the Council.
- ✓ Service plans have been prepared across the housing, environmental and economic development department. Each service area was required to undertake a performance review and SWOT analysis following which consideration was given to their service objectives and benchmarking information that could be used to measure the achievement of objectives.
- ✓ Voluntary competitive tendering which was undertaken by housing maintenance and won by the Council's own department, who have also been successful in winning external housing maintenance contracts. The repairs and maintenance operational plan identifies within the associated risks over re-tendering and therefore address the action to be taken to monitor services against the contract terms. The Council is also considering subjecting grounds maintenance to external contracting which will help to demonstrate competitiveness.

Through our review of best value, we also noted areas for development:

- The action plan in place to achieve / demonstrate competitiveness across services presented to corporate management team is high level. Each officer is responsible for identifying detailed milestones and timeframes to achieve these high-level goals. We identified that milestones are not always in place. Furthermore, where milestones are in place, timeframes for achievement can vary between milestones and the high-level action plan, for example actions expected to be achieved by April 2009, will not be achieved according to detailed milestones until September 2009. A review of detailed milestones should be undertaken to ensure they are reflective of the over-arching plan.

Recommendation 3

- The process of capturing and recording the detailed milestones varies across departments and responsible leads. Some milestones action plans are recorded within Covalent while others are timetables communicated via email. A consistent approach to recording action plan and detailed milestones behind action plans should be implemented to ensure all data is collated and monitored centrally.

Recommendation 4

- Guidance documents are made available to all staff via the Council's intranet site. However, on review of these documents it is clear that they have not been updated since April 2002. Therefore, they are not reflective of recommendations and best practice identified by the Council in recent years. Management should ensure that responsibility for reviewing these documents is assigned to an appropriate officer and that changes to any guidance is communicated effectively through the Council.

Recommendation 5

Competitiveness

We identified above what the Council considers to be the key actions to be taken to ensure that services provided are competitive. In our review we specifically considered benchmarking activities, as this has been highlighted as a key action to achieving competitiveness.

Benchmarking allows the Council to assess their performance against past performance, other local authorities and the private sector. The Council undertakes a number of benchmarking exercises across different services to demonstrate competitiveness and inform future decision making; these include being members of the Association for Public Sector Excellence ("APSE"), statutory performance indicators and local key performance indicators.

The Council has a new performance management tool, Covalent, which is used to record all statutory and local performance indicators. Covalent is updated on a quarterly / annual basis and reviewed by the performance management group. We reviewed a sample of services provided by the Council to determine the level of benchmarking completed and assess if this information is utilised effectively with departmental service plans. We considered benchmarking undertaken in grounds maintenance, housing maintenance and leisure services.

Areas of good practice

- ✓ A training programme to raise awareness of benchmarking has been undertaken. External advisors ran benchmarking seminars, which were attended by Heads of Services. Learning based outcomes in benchmarking have also been developed and will be rolled out to staff during 2009-10.
- ✓ We reviewed a sample of services (grounds maintenance, leisure and housing maintenance) and in all cases the Council participates in the APSE benchmarking process.
- ✓ Local performance indicators are in place across some Council services, for example leisure services measure the success of their partnership with the local health board.
- ✓ Statutory Performance Indicators have been subject to review by internal and external audit during 2008-09.
- ✓ Leisure services are rated in the top quartile of QUEST members.
- ✓ The Council's leisure services management are responsible for establishing an informal benchmarking forum with 22 other local authorities to help evidence the competitiveness of leisure services offered by the Council.

Areas for development

- Service areas across the Council participate in the annual APSE benchmarking exercise. However, through discussion with officers, it is understood in many cases the data provided by APSE is not utilised by the Council when considering future strategic decision making. It is believed data provided is not comparable, however simple manipulation of this data would generate more meaningful information.
- Recommendation 6**
- It is important that data collated for use in benchmarking statistics is accurate to allow well-informed decision making to be made by the Council. The controls over data quality vary across services, as identified through internal audit reviews.

Recommendation 7