

Planning for success

A review of the audit of Management Arrangements in Scottish councils in 1997



In 1997, the Commission introduced a new approach to the audit of management arrangements in Scottish councils based on self assessment, action planning and continuous improvement. The Management Arrangements audit complements the detailed annual audit of financial regularity in councils. It is not a substitute for the more detailed financial audit.

The Commission initially proposed four self assessment modules in total, each looking at separate elements of management arrangements in place in Scottish councils. Module 1 covered the "*Strategy, planning and control*" activity undertaken by each council. Elements of all councils' progress against these criteria were audited during 1997.

The findings from the Management Arrangements audit provide a high level snapshot of councils' management processes and systems. This bulletin provides a summary of councils' responses. As such, the messages are general ones without prejudice to the feedback to individual councils from any part of the audit process. The Commission acknowledges that the development of councils' management arrangements is a continuous process.

Given that the audit of Module 1 focused on the 1996/97 period, many councils faced major difficulties arising from local government reorganisation. Many of these difficulties are now being addressed as councils develop distinctive approaches to addressing Best Value. Much of this work has been undertaken since the self assessments for Module 1 were completed.

The feedback in this bulletin is based on consideration of councils' submitted comments rather than detailed investigation of the various processes and systems which lie behind these self assessments. Comments from auditors have been used to qualify the detail in some of the council submissions.

The emphasis on performance monitoring and planning as part of the Best Value Regime points to the importance of a consistent corporate approach to strategy, planning and control. To work effectively, this approach must be led by the corporate management team. Steps must be taken to co-ordinate the various continuous improvement initiatives, with ownership across the organisation supported by effective two way communications with employees and the public.

Analysis of the Module 1 returns points to an understanding by the majority of councils of the benefits of adopting a coherent approach to strategy, planning and control and to continuous improvement. Councils' duty to ensure stewardship of public monies emphasises the importance of effective budgetary control as a key element of this approach.

The Commission is currently consulting with councils with a view to refining the four management arrangements modules to produce a single self assessment covering the performance management and planning framework central to councils' approaches to delivering Best Value.

Recommendations

Following analysis of councils' Module 1 self assessments, the Commission recommends that all councils:

- **establish a Management Arrangements/Best Value co-ordinating group**

At senior corporate management level, a group for co-ordinating and controlling the council's activities under Management Arrangements and Best Value should be created. This group should have responsibility for co-ordinating the Management Arrangements/Best Value initiatives, reviewing the quality of the related self assessments and improvement plans across the council and for monitoring and controlling progress against those plans.

- **establish an effective Management Arrangements/Best Value communications strategy**

Councils should ensure, through an appropriate communications strategy, that managers and staff throughout the council understand the purpose, approach and mechanisms of Management Arrangements and Best Value as well as their own role in the process.

- **integrate and co-ordinate their continuous improvement initiatives**

Where councils are developing a variety of improvement approaches (through Management Arrangements, Best Value, IIP, EFQM etc) the reviews and resulting improvement plans should be co-ordinated across the council.

- **ensure co-ordination between the corporate plan and all service plans**

Councils should ensure that the key initiatives and actions required to achieve the council's overall strategic goals have been identified and planned in detail at both corporate and departmental levels. Councils should ensure there is consistency and coherence between service planning processes across all departments.

- **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.

- **develop a council-wide benchmarking strategy**

Councils should ensure that a benchmarking approach is being developed throughout the organisation which not only includes examination of comparative data but also critically reviews service delivery and management processes.

- **ensure that there are effective budgetary control processes in place across the council.**

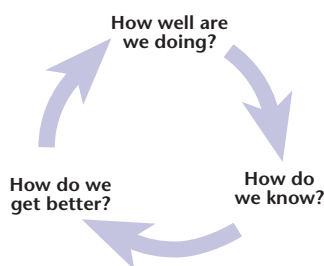
Councils should ensure that there is effective monitoring, reporting and control of financial performance both across the council as a whole and within all departments.

Introduction

In 1997 the Commission introduced a new approach to the audit of Management Arrangements in Scottish councils. Two statutory duties refer explicitly to a council's arrangements for securing value for money. Auditors have a statutory duty to satisfy themselves *'that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'* (Local Government (Scotland) Act 1973 S99c as inserted by S35(4) of the Local Government Act 1988) and *'It shall be the duty of each local authority to make proper arrangements for securing economy, efficiency and effectiveness in their use of resources.'* (Local Government (Scotland) Act 1973 S122A as inserted by S170 of Local Government etc (Scotland) Act 1994).

The first module of the Management Arrangements audit was applied in 1997 and focused on strategy, planning and control in councils. This bulletin summarises the results of that audit. It is intended to assist each council to assess its progress in the context of the general responses from Scottish local government.

The Commission acknowledges that progress made by many councils under the Best Value Regime (BVR) will have addressed some of the issues highlighted in this bulletin. Nonetheless, councils will find the information of assistance when completing future BVR self assessments and devising further actions. Councils' completion of Module 2 *Managing people* will also prove useful in identifying further BVR action.



What was Module 1?

Module 1 covered corporate and service planning, and budgetary control arrangements for each council and was applied both at council-wide level and at the level of individual service departments. The module represented a new development in the audit of councils. There are three elements to the approach:

- **Self assessment** where senior managers assess the council's current performance against elements of good practice set out in the module.
- **Action planning** requiring managers to develop action plans for improvement at the corporate and departmental levels.
- **Continuous improvement** encouraging managers to identify and implement the improvements to the council's existing management arrangements that realistically can be achieved.

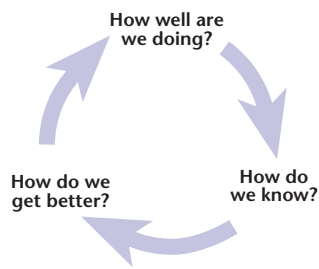
What did Module 1 audit?

Corporate and service planning assessed councils' arrangements relating to five key elements of planning:

Setting direction	Setting out clearly what the council wants to achieve.
Strategic analysis	Assessing the major internal and external factors or influences which affect the council's ability to achieve what it has set out to do.
Making it happen	Implementing what the council has set out to do.
Checking progress	Monitoring and reviewing what the council does.
Doing better	Improving performance.

The *Budgetary control* section examined councils' arrangements for controlling and monitoring budgets across the council.

Self assessment



Self assessment uses, and values, the knowledge and expertise of those who work in an organisation. Not only can such an approach produce a detailed and rigorous appraisal of performance, it can also help secure participation in, and ownership of, the continuous improvement programme.

However, for a self assessment approach to be effective it must be properly managed. Councils undertook the Module 1 self assessments in various ways, with varying results. The most comprehensive and useful assessments were undertaken where the council or department had established a small, dedicated group of senior managers to complete the self assessment and develop an action plan for submission to the external auditor. The less comprehensive assessments came from an individual tasked with completing the exercise. Inevitably, this affected the quality of the improvement actions proposed by that council.

A small number of councils decided that the corporate assessment group would also review departmental assessments and action plans prior to discussion with the external auditor. This enabled the council to ensure that all departmental returns were of a comparable quality and rigour and also allowed the identification of common issues that might need to be addressed corporately. The quality of self assessments and action plans submitted to auditors were noticeably better in these councils.

It was also evident that councils took different approaches to communicating the nature and purpose of the audit to their managers and staff. In some cases, particularly at departmental level, managers were often unclear as to what the purpose of the self assessment and action plan was and, indeed, what they were expected to do with the documentation once completed. Some councils, however, took considerable efforts to ensure all their managers understood the purpose of the initiative and their role in it by arranging workshops and briefing sessions for staff. The audit was clearly seen in these cases as part of the council's integrated approach to performance improvement and again resulted in better quality assessments and action plans.

The Commission now recommends that the Management Arrangements audits are undertaken using group self assessments by senior managers. Further information is available in the Commission's publication *Assess yourself: using self assessment for performance improvement* (1998). Similarly, councils are encouraged to establish a central co-ordinating and review group to ensure consistency and quality of approach across all parts of the council and to review progress against the improvement action plans.

General issues relating to Module 1

A number of general issues arose from overall consideration of councils' responses:

- Generally, the self assessment was completed by managers as an open and honest evaluation of the council's current management arrangements. The resulting action plans in most cases identified key initiatives that the council recognised would contribute to its improved performance. Councils are to be commended on the effort and commitment they gave to the audit.
- The commitment of individual managers involved in the self assessment appeared to play a significant role in the quality of the returns. The majority undertook a rigorous self assessment seeing the time and effort required as a worthwhile investment. However, some did not see the self assessment as central to their main management responsibilities. As a result, some managers spent considerably longer than others in completing a rigorous self assessment. This partly accounts for intra-council differences in the quality of self assessments and subsequent auditor findings.
- Local government reorganisation and the subsequent restructuring and co-ordinating of plans and activities were seen by some managers as a justification for delaying detailed service planning. Some managers were clearly waiting for stability to materialise before developing detailed service plans. For example, some managers commented that there was little point in setting service targets or standards prior to council-wide public consultation. Others delayed examination of performance until information systems had been developed. While the desire for stability is understandable, it is important that uncertainty is not seen as a reason for delaying work on planning and control.
- Some managers did not distinguish between management arrangements improvements and service improvements in the action plans. Despite the focus of the audit on management arrangements, some action plans listed improvements in service delivery rather than developments in management processes or systems. Examples include commitments to road resurfacing, sports centre throughput and the completion of specific capital projects. The service improvements would more obviously appear in departments' service plans. Module 1 action plans were intended to focus on activity which would improve the way services are managed. This might include clarification of responsibilities and budgets to allow identified targets to be met, more focused consultation with citizens and service users, and training and development for key staff. It is important that effective management arrangements are in place to inform and support the service improvements.

It took 5 working days to complete the self assessment plan effectively.

It took nearly five hours to complete the process - this is time that can be ill afforded.

Corporate audit

Setting the direction

- Strategic analysis
- Making it happen
- Checking progress
- Doing better

Members and the Management Team saw the identification of clear corporate goals and values as being the first task following reorganisation ... this provided the framework for all of the council's activities.

Corporate guidance has been prepared on service planning and performance monitoring ... a consistent approach helps members to understand how the process works when important inter-service decisions have to be made.

It is essential for a council to establish a clear view about what it is trying to achieve given the finite resources it has available. Without that clear view, a council will find it difficult to know which activities to support, where to allocate its limited resources and which changes are necessary to enable it to meet the challenges of the present and the future.

Most councils have produced a corporate plan outlining council-wide goals and objectives. This was seen as a particular priority following local government reorganisation and councils have put considerable effort into ensuring such a document was available at the earliest possible time. Similarly, most councils have made considerable efforts to communicate their plans, priorities and values to citizens, to customers and to staff, using a variety of methods to ensure they reach the widest possible audience.

Corporate guidance on departmental service planning has, in many cases, been developed to encourage a consistency of approach across departments and to ensure that individual service plans reflect, and contribute to, council goals and priorities. In some cases, however, such guidance had not yet been developed and this was clearly reflected in the variability of service plans in those councils.

Among the examples of innovative practice were:

- corporate plans which included not only council goals and priorities but the specific and detailed strategic initiatives intended to help achieve those goals. In a number of corporate plans key initiatives were identified under each broad goal. This ensured that the overall corporate goals were not simply seen as a 'wish-list' but as a set of achievable outcomes with a clear statement of the actions to be taken to achieve these.
- the creation of a corporate management team with a focus on leading and managing the organisation as a whole. This goes beyond the regular meeting of heads of service acting in their departmental capacity. It involves individuals putting their departmental allegiances to one side to manage the direction, priorities and performance of the council as a corporate body.
- the development of corporate working amongst the senior management team. Approaches include the delegation of corporate strategy development to sub-groups of the management team, the appointment of executive directors with corporate responsibilities and the temporary secondment of directors to complete specific corporate projects.
- a corporate policy unit working directly to the senior management team as a whole rather than to the chief executive. This is seen as increasing management team ownership of policy development, easing the way for subsequent implementation through departments.
- initiatives designed to ensure consistency between the various planning processes. Some councils are seeking to link capital and revenue budgeting processes to their corporate and service priorities in a move to more policy-led budgeting. Some also have a formal process to ensure that the detail of corporate and departmental strategies is not contradictory but complementary.
- formalised partnership arrangements with other agencies through service level agreements or partnership contracts linked in turn to budgets and resource allocation. These clarify roles, responsibilities, budget arrangements and reporting requirements and are seen as necessary to ensure effective partnership working with other agencies.

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All legislative matters are initially considered by the Chief Executive's Office and Legal Department and quickly disseminated thereafter. This allows an appropriate response (strategic, corporate, operational) to be co-ordinated and implemented.

Extensive public consultation was undertaken to find out what the important issues were to people living and working in the area ... this helped to focus the corporate and service priorities.

Any organisation committed to continuous improvement needs an understanding of the wider environment in which it operates, the values and expectations of key stakeholders (both within and outwith the organisation) and the resource base of the organisation. Such analysis should cover both the current and forecast position to ensure its strategic aspirations are both appropriate and deliverable.

Most corporate plans have been established following a broad assessment of the external environment, including community consultation and dialogue.

Many councils undertake comprehensive internal and external analyses at a corporate level, disseminating the information thereafter to service departments.

Examples of good practice included:

- comprehensive approaches to assessing strategic information using a variety of analysis tools and communicating this information throughout the council. This approach is typically part of a detailed corporate information strategy, outlining sources of information which will be monitored and allocating responsibility for capture and dissemination. Some councils prepare and circulate regular bulletins of socio-economic trends and/or frequent updates of key legislation and relevant press items.
- the production of a comprehensive guidance pack for service managers undertaking such analysis at departmental level, together with supportive training and development. The packs include information on undertaking more formal SWOT and PEST (Political, Economic, Social and Technical) analyses together with techniques to assess the external and internal environments in a rigorous, consistent manner.
- a distinction between customer-oriented and citizen-oriented approaches to strategic analysis. The former look at consumer issues such as user satisfaction, the provision of information on standards of services, comments and complaints procedures, rights of redress. The latter encompass public participation and projects aimed at community development and identity.
- co-ordinating approaches to customer and citizen input and feedback across the council. Corporate analysis of the findings encourages co-ordinated action by the council. Some councils are also ensuring they go beyond routine customer surveys and assess customer expectations of services as well as satisfaction levels. This approach allows councils to identify shortfalls, or gaps, between what citizens and service users expect and what they actually receive. The Commission is currently piloting this gap analysis approach with some departments and will report the results early in 1999.
- several councils having undertaken questionnaire-based surveys of staff opinions, with the resultant information being used to assess staff attitudes and perceptions. Re-sampling allows these to be tracked over time. Some councils are also developing staff focus groups as part of performance improvement initiatives.

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The corporate plan comprises a number of goals; sub-groups of the management team were given responsibility for co-ordinating the translation of each of these goals into SMART objectives.

The council has set up a formal member/officer group to assess the effectiveness of all its partnerships ... it aims to ensure that partnership working is achieving the council's goals and that the council's input is as effective as possible.

Implementation of goals and priorities is the key to effective and efficient service delivery. Making it happen involves taking the key changes, actions and initiatives that have been identified and turning them into detailed plans, often at service level. Such plans provide details of the mechanics of implementation: the people involved, skills and competencies, budgets, priorities, targets and organisational structures.

Clear responsibilities and required resources have usually been identified and built into departmental plans. On most occasions, councils have translated broad goals into SMART corporate objectives. However, in other cases the detail of how the council intends to achieve the overall goals it has set has not been developed. In such cases, it is difficult to see how the council will be able to assess its own progress and performance and ensure it is achieving value for money.

Skills audits are also being undertaken by a number of councils to identify managerial skills gaps and the training and development required to close these. Some councils are seeking personnel advice to ensure that such audits are completed rigorously.

Examples of good practice include:

- ensuring that departmental commitment to corporate objectives is developed into specific actions with associated resource implications. These are then integrated into the department's service plan. These councils found that when such commitments were not formalised, they often failed to deliver any tangible progress in delivering corporate goals.
- training and development being focused on the management skills gaps which require to be closed if corporate and departmental plans are to be successfully implemented. Some schemes encompass all senior management, with formal qualifications offered to those completing additional written work in their own time.
- in-house staff awareness sessions aimed at spreading knowledge of the council's values, priorities and objectives and gathering feedback from staff on barriers to their achievement. These occur against the backdrop of systematic two-way team briefing and a commitment by senior managers to listen to feedback and ideas.
- establishing clear partnership arrangements with other agencies. Some councils have found that more effective partnership working can be developed through formal, semi-contractual arrangements between the various partner agencies clearly setting out roles and responsibilities.

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A council must be able to assess whether its goals continue to be relevant in a rapidly changing environment, whether its strategies for implementation are effective, and whether its day-to-day operational performance can be improved. Appropriate performance monitoring is required at different levels throughout the organisation.

Councils generally monitor and report progress in the implementation of corporate goals to committee and/or the management team. Less frequently is this part of an all-encompassing council-wide approach to reporting a broad range of performance information for the purpose of monitoring and review. However, most councils recognised that their performance measurement systems need to be developed further and saw this as a high priority for their action plan. Corporate IS/IT systems and strategies are being developed in most councils to support monitoring and review. As a result, information needs are being identified from the outset and supporting systems set up to meet these.

Good practice included:

- undertaking formal and regular reviews of corporate and service plans to track progress against objectives. Supported by monitoring of key indicators, the management team and senior elected members review progress together on a monthly or quarterly basis.
- establishing distinct member and/or officer forums for reviewing the overall planning and monitoring *process*. Performance review sub-committees have been established, with members asked to consider the nature and frequency of information to be provided to service committees. These forums also agree a programme of service reviews/VFM studies which benefit from a distinctly corporate perspective (eg central purchasing, vehicle fleet management, property management).
- producing corporate guidance on the presentation of performance information to members. Members may be given information pointing to trends over time, allowing them to make more informed judgements as to the adequacy of recent performance. On other occasions, graphical representations indicate performance against identified standards or targets over a given period.
- the creation of inter-departmental officer groups to investigate corporate information needs. The completion of an information audit can reduce the duplication of data collection/collation. By increasing awareness of the data which is already held, time is saved and opportunities are presented for analysis which might otherwise have been missed.

The information strategy of the council should focus on what needs to be monitored to ensure that both strategic and operational objectives are being achieved.

All of the service plans are monitored and reviewed to assess the extent to which they are contributing to the overall corporate objectives.

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A performance sub-committee has been set up to ensure that members can input into the programme of VFM studies and review work across the council. It also allows performance issues to be considered which cut across service committee responsibilities.

Where scope for improvements is identified, a council must be able to implement improvements effectively so that it can continually enhance its performance.

Most councils are advocating a response to continuous improvement which builds on the planning, monitoring, reporting and review activity associated with a performance management approach. Work has commenced in most councils on trying to identify relevant targets, standards and related performance information. Corporate approaches to service review, internal VFM studies and benchmarking are being developed but in most cases are not yet in place.

Examples of good practice include:

- ensuring that rigorous performance management approaches are applied consistently by departments. This involves producing corporate guidance and associated pro-formas relating to the planning, monitoring and review cycle. In some cases, performance review groups or committees examine drafts of all associated documents prior to submission to service committees.
- establishing a cascade of objectives, targets and performance information from the corporate level through to individuals' work plans. This is done by producing a hierarchy of related objectives and associated information (from corporate, to service, to section, to team, to individual) to ensure that every member of staff understands their contribution to the higher level corporate and service objectives.
- supplementing assessment of user satisfaction with existing service provision with greater public involvement in setting corporate and service priorities and standards. While the costs of such exercises need to be balanced against the benefits, some councils have undertaken comprehensive consultation to establish whether they are doing the right things. These have been aimed at staff, businesses, community/voluntary organisations and the general public.
- ensuring that ongoing work on benchmarking, user involvement and performance information is undertaken which can be fed into future service reviews. Service managers have identified opportunities for such activity relating to their own functions. Following an element of corporate co-ordination (to minimise duplication of effort and share expertise), service managers are charged with progressing the appropriate action.

Departmental audit

Although the two largest departments were selected for follow-up audit, all departments completed the exercise ... we found that the module helped the authority to recognise the benefits of a systematic approach to improving management.

The service planning section of the audit was structured in a similar manner to the corporate planning section. The audit examined the management arrangements in place at departmental, service or business unit level for dealing with the five key elements of the performance management approach.

The formal audit of Management Arrangements focused on a small number of departments within each council. However, a number of councils chose to extend the application of the self assessment to cover all departments. This enabled the council itself to develop a comprehensive view of performance across the whole organisation.

Service	Proportion of councils where this service was formally audited
Education	75%
Social work	65%
Housing	65%
Technical/Contract services	35%
Leisure and recreation	25%
Transport/Roads	25%
Environmental services	20%
Planning/Building control/Economic development	15%
Property services	15%
Financial services	15%
Legal/Admin	15%
IT	15%
Chief Executive's department	10%
Personnel services	10%

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There is no service plan - much of the department's activity is outlined in statutory plans required by The Scottish Office.

Each department has outlined how its activity can contribute to the attainment of the corporate objectives ... once agreed, the subsequent action can be built into the departmental service plan and resourced as appropriate.

Broad commitments are translated into agreed and achievable actions for each partner ... this ensures that responsibilities are clearly understood and progress can subsequently be made.

It is essential for each department to have a clear view about the services they intend to provide. Without this, departments will find it difficult to know whether they are providing an efficient and effective service and whether they are making best use of resources. The production of a service plan is a central part of the process of setting direction.

Most departments have a service plan or are in the process of producing one. In most councils some form of corporate guidance is given, although there is considerable variability in the nature and detail of such guidance. Service plans generally identify clear goals, provide a rationale for the priorities that have been set and indicate key challenges for the department. However, in other cases, service plans tended to be descriptions of planned tasks and actions with little rationale or justification. In such a case it is difficult to see how managers – or elected members - have established priorities, allocated adequate resources or monitored overall performance. Where detailed service plans are in place, clear strategies for attaining broader goals have usually been devised although, again, there is considerable variability in this both within and between councils.

Examples of good practice include:

- some departments having pulled various statutory plans under the umbrella of a single planning process. While “output” in the form of the statutory plans is still required, such an integrated service plan indicates how overall resources will be used to achieve the departmental objectives (some in the statutory plan, some not). Statutory plan commitments are translated into resourced actions in the service plan and monitored thereafter as part of the related review cycle.
- ensuring that departmental contributions to corporate strategies are specifically identified, agreed and formalised. Councils adopted different approaches to ensuring this occurred. Some required departments to complete a matrix to identify key links between corporate goals and service objectives. The columns of the matrix detailed the individual corporate goals with the rows detailing departmental initiatives. The matrix thus allowed managers to indicate which initiatives contribute to which corporate goals.
- service level agreements (SLAs) or contracts with key partners clarifying and formalising their contribution to agreed objectives and targets. Once these are agreed, the required action is progressed as part of the day-to-day activity of the department, being monitored in addition to the departments “own” work.
- departments that have aligned their cost centres with their core business. This allows greater clarity of the costs of individual service areas. More traditional budget structures tend to group significant areas of revenue expenditure (such as salary and travel costs) across sections, meaning that detailed time-recording is required to establish the costs of separate elements of the section's activity. Activity-based costing increases transparency and accountability, simplifies monitoring and acts as an important step towards council-wide policy-led budgeting.

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The manifesto, corporate and statutory guidance, good practice via our professional association and feedback from staff and users have all been considered in developing the departmental service plan.

The views of staff and service users are fundamental if the service is to do what it's meant to as well as it can.

A service provider needs to understand the wider environment in which it operates as well as assessing the needs, expectations and perceptions of service users and the likely resources available to deliver services. Such analysis needs to consider both the current and forecast position.

Most councils have procedures in place to update each department on developments of legislative/statutory significance. Wider corporate level analysis usually provided key information – for example on local socio-economic and demographic trends - for the departmental service planning process. Approaches have generally been developed to ensure customer input into setting priorities/standards of service.

Good practice included:

- departments using such analysis to help develop a more focused targeting of service delivery to respond to anticipated trends. This may include the allocation of additional revenue resources, an enhanced service specification, more frequent monitoring or the identification of opportunities for partnership working, external funding or capital investment.
- ensuring that SLAs between departments are SMART. Some departments have recognised that there can be a tendency for SLAs to fail to specify service levels, standards and associated costs in a sufficiently transparent and precise manner. Steps are also taken to maximise the involvement of affected budget holders to ensure that those paying the bill receive the type and standard of service they require.
- some CCT-defined activities being particularly rigorous in undertaking competitor analysis and cost benchmarking. Use is made of competitor information (available in many libraries and via organisations such as the LGMB, ADLO¹ and other professional associations) to identify major competitors and the market rates for services in each part of the country. Service specific networks are also used to share information. Internally, business planning techniques are used to establish the in-house unit costs. Action is taken where necessary to increase the competitiveness of the in-house team based on the findings.
- departments having developed formal mechanisms for ensuring staff involvement in setting priorities, procedures and levels/standards of service. Quality circles, suggestion schemes and two-way team briefing are some of the approaches being used.

¹ Local Government Management Board, Association of Direct Labour Organisations

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The next stage is to translate service plan objectives into specific actions in each individual employee's work programme ... staff will then be aware of how they are contributing to the overall objectives.

Making it happen involves turning the key changes, actions and initiatives into detailed plans for service delivery.

Service goals are typically translated into specific actions with responsibilities and resources clearly detailed. Clear budgetary monitoring and reporting arrangements have been established in most instances. Vocational skills are typically well developed in senior managers although a number of departments had completed a training needs analysis and were in the process of designing development programmes for key staff.

Examples of good practice included:

- departments which formally project manage the implementation of service strategies. A strategy team is created and a detailed project brief and associated plan are developed and agreed. The project manager monitors the progress of each team member against the agreed timescale of their element of the work. The manager also evaluates the ongoing relevance of the scope of the strategy and its overall development.
- use of project and matrix management. Both involve a greater element of team working than is demanded by more traditional line management. Departments that have adopted such approaches appear keen to develop multi-departmental teamwork to tackle more complex and ongoing issues.
- increasing attention being paid to personal development planning. A plan is produced for each member of staff aligned to broader departmental objectives and targets. These typically comprise an assessment of each individual's contribution to the broader objectives, clarification of expected targets and standards, an appraisal of past performance and the identification of training gaps and career development opportunities.

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So far, performance measurement has focused on statutory performance indicators.

Unlike other services, many of our tasks do not lend themselves easily to the monitoring of performance.

We regularly review performance of all elements of our service ... this is done verbally and informally. We will document it in the future.

A service provider must be able to assess whether its goals continue to be relevant in a rapidly changing environment, whether its service delivery is effective and whether its day-to-day operations are delivering what they should.

Most departments have some performance monitoring systems in place but the majority recognise that these need considerable improvement as they tend to focus on operational rather than strategic performance. Departments are frequently trying to build on the statutory performance indicators (PIs) with more locally relevant information. However, in the case of some departments, as illustrated in the second quotation on the left, little attention is being paid to overall performance measurement. This raises major concerns about a council's ability to assess its own performance and to ensure it is delivering value for money across all its services.

Most councils' IS/IT systems and strategies are now being aligned with the information needs of each department although managers admit that this will be a long-term initiative because of resource constraints. Further work is being progressed on identifying, refining and publishing standards of service.

Good practice includes:

- managers pro-actively seeking to identify PIs through liaison with other service practitioners. While they recognise that levels and standards of service will vary dependent on the nature and priorities of each council, a majority of indicators of service success are likely to be common and can therefore support comparative analysis and continuous improvement. Some work is being progressed through professional associations; other efforts are being channelled through "families" or networks of councils.
- departments that are developing a "balanced scorecard" approach as a means of identifying relevant information² and ensuring that a spectrum of measures are developed. The approach develops measures around 4 inter-related perspectives (financial, customer, continuous improvement and internal process) so as to ensure that performance is assessed from its strategic as well as operational impact.
- recognition that some performance information is often difficult to "consume". Members and managers typically want to know simply whether the service is "right". The information collected and reported by a small number of departments is aimed at allowing such judgements to be made. Hierarchies of information are devised and monitored, with only higher level key indicators reported to members. These indicate trends over time and relevant contextual information. Line managers throughout the department identify and monitor the lower level indicators which tell them whether their activity is contributing effectively to the overall success of the department.
- reporting information in a format which allows members to make a distinction between policy inadequacy and poor service performance. This involves pulling together the various sources of management information when reporting to members. The level and nature of comments and complaints and any further user feedback are used to assess the adequacy of policy or service specification.

² See the Accounts Commission's publication *The measures of success: developing a balanced scorecard to measure performance* (June, 1998)

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In the past, complaints were dealt with on a case by case basis as they came up. The formal procedure will allow us to highlight problem areas more systematically - we can get to the root of the problem rather than treating the symptoms.

Communication of service plan objectives to staff has been common in the past - we intend to use the extensive experience of staff in the design of these objectives in future.

Where scope for improvements is identified, the service provider must be able to implement improvements effectively in order to continually improve its performance.

Approaches to service review and benchmarking are being developed to support continuous improvement. Few departments are currently experienced in formal benchmarking although most intend to develop this. However, there is a general misconception that benchmarking only involves comparing numerical performance data rather than a wider assessment of service delivery processes and mechanisms. This is a critical issue given the importance of benchmarking in delivering Best Value.

Most departments currently have a comments and complaints process - often linked to a formal corporate procedure. Customers are increasingly being seen as central to developing future priorities and levels of service at all councils.

The effectiveness of communications to staff on objectives, targets and standards is often being reviewed in an attempt to increase ownership.

Good practice includes:

- departments formally reporting higher-level performance information to the departmental management team on a monthly or quarterly basis. This ensures that performance is well understood at a managerial level prior to reporting to service committees. Such practice also encourages continuous monitoring rather than six-monthly or annual snapshots.
- analysis of comments and complaints information as part of integrated performance monitoring reports to service committees.
- making SMART standards of service available/visible to consumers at the point of service use. Posters and leaflets are displayed in service outlets where appropriate; stickers are placed on bins; standards are included on application forms and documentation. Departments consider it likely that most consumers will wish to understand or query standards of service at the point they are being used.
- examining how customers can be more closely involved in specifying, monitoring or managing services. This requires the production and agreement of clear remits for each party (planner, procurer, manager, monitor and deliverer) and the inclusion of any such arrangements in relevant contract specifications, liabilities and legal agreements.
- involving staff in developing the objectives and standards to be included in the service plan. This builds on the widespread practice of communicating the detail of the plan following its agreement by members. Internal consultations on content are undertaken, with each section imputing on the detail for their element of activity. Senior management are tasked with judging the content of the final draft following the consultation exercise.

Budgetary control

During the course of 1996/97 financial year the arrangements for budgetary control were at best *ad hoc* and largely defined by the available systems.

This part of the audit examined the arrangements that councils have in place for generating budgetary control information and for ensuring appropriate budgetary control. The Management Arrangements audit focused on the processes which councils had in place. As such, it complements the detailed annual audit of financial regularity. The Scottish Office Best Value framework also emphasises the importance of sound financial management. The following key aspects formed the basis of the self assessment:

- ensuring that there is clarity about exactly who is responsible and accountable for budgets throughout the council
- ensuring that budget holders have up-to-date, accurate and timely reports to assist them in exercising effective control
- ensuring that budget holders have the skills and expertise to exercise effective financial control
- ensuring that there are regular reviews of the overall financial position to ensure that effective control is maintained.

Following local government reorganisation, many councils and/or departments inherited different financial systems from the former councils and were having to use these to plan and manage service delivery. At the same time, new financial management systems were being developed and introduced. The completed self assessments appeared to be largely open and honest, recognising areas for improvement whilst at the same time highlighting aspects of good practice. There were a number of common themes and issues arising from the self assessment.

Clarity about who is responsible and accountable for budgets in the council

A number of councils included in their action plans initiatives to improve the information about named budget holders, especially where budget responsibility had been delegated to service heads. The initiative included:

- ensuring that details of named budget holders were held centrally and regularly updated
- including details of named budget holders in the general ledger system
- overlaying details of named budget holders onto departmental organisation charts
- ensuring that departments provided up-to-date details of named budget holders.

Production of budget reporting information to budget holders

Many councils had made considerable efforts to ensure budget holders received quality budget reports. On occasion, there were major constraints on the ability to achieve this, including the IS/IT systems in use and the degree of consistency between inherited systems. Such information is essential to those responsible for service delivery.

Among the examples of good practice – either in place or proposed in the action plans – were:

- regular budget reports tailored to the needs of each budget holder. One council was introducing a comments form attached to monthly budget reports to encourage users to provide feedback.

In a survey of our budget report users we found that almost *two thirds* felt that the budget information provided did not allow them to do their job properly. The main criticisms related to the format of the reports, the difficulty in understanding them and the absence of key information.

- budget reports highlighting major variances (both under- and overspend) together with a detailed financial commentary from finance
- inclusion of projected out-turn figures together with subjective commentary from finance
- developing on-line access to the financial information system for budget holders
- consultation with report users on requirements, layout and design of budget reports.

Ensuring that budget holders have the skills and expertise to exercise effective financial control

The majority of the finance departments or functions felt that they had a key role in ensuring that budget holders were able to interpret and act upon the reported information, although a small number indicated that this responsibility was that of the service department or of personnel and training. Key initiatives included:

- undertaking a training needs analysis to identify the training and development requirements of budget holders in the areas of budget setting, budgetary control and financial management
- developing a phased programme of training in budgeting, cost control and financial management for budget holders (to be delivered both on an in-house and an external basis)
- developing budget manuals for budget holders setting out financial procedures, how to interpret budget reports and actions required of budget holders in terms of financial management
- provision of dedicated finance staff support for advice and interpretation of information.

In addition, councils were asked to review their arrangements for ensuring that budget holders took appropriate actions regarding financial performance. Analysis of self assessments suggests that few councils appeared to have any systematic means of monitoring management actions on financial performance with most relying on informal relations between finance staff and key budget holders. Steps were being taken to address this. For example, one council was developing an approach whereby a financial overview report would be produced for each department on a four weekly basis. The report would include:

- areas requiring action
- areas of potential concern
- review of the effect of past actions.

The report would form the basis for regular meetings between the finance director and each individual service director. Other councils were adopting similar approaches, although reporting cycles varied.

Regular reviews of the overall financial position

Arrangements in this area were extremely varied. At one extreme were councils which relied on the finance director bringing financial problems to the attention of the senior corporate team on an exception basis. Of particular concern was the reported practice in some councils where reporting the financial position of service departments to the relevant

committee was undertaken only once each financial year. This makes adequate budgetary control and ongoing monitoring of financial performance very difficult, questioning these councils' ability to meet their duty of financial stewardship. In other councils, regular financial reporting occurred at the levels of departmental management teams, corporate management teams and service committees. Reporting and review of financial performance must supplement the ongoing monitoring referred to in many of the self assessments.

Areas for improvement that councils identified included:

- providing a regular overall corporate summary to finance or policy and resources committee summarising the main aspects of individual departments' financial performance and position
- ensuring that regular reviews of the financial position were undertaken by departmental management teams with input from the relevant financial support staff.

Conclusion

Councils are to be commended on the effort and commitment they gave to the Module 1 audit. It is evident that considerable attention and importance was attached to the audit by most councils and by most departments who took part. This is evidenced in the rigorous self assessments that were undertaken and the commitment to improvement actions that were agreed with the external auditor.

Analysis of the Module 1 returns points to an understanding by the majority of councils, particularly at the corporate level, of the benefits of adopting a coherent approach to strategy, planning and control and to continuous improvement. In most cases, corporate and departmental action plan commitments encourage the development of such approaches. The Commission emphasises the importance of effective budgetary control as a core element of this.

While the implementation of such approaches is typically at an early stage, there are encouraging signs. The development of corporate plans outlining each council's goals and priorities has been widespread. Customer and citizen involvement is on the increase. Service plans have or are being worked up to identify departmental contributions to corporate and service objectives. Management systems and information are also being developed as the emphasis on performance monitoring, reporting and review increases. Financial systems and controls are being set up to reflect the new service alignments and responsibilities.

Across the 32 councils, corporate and service managers have committed themselves to delivering specific and detailed improvements in the way they manage their organisations as a means of improving economy, efficiency and effectiveness in their delivery of services to their communities. Best Value strengthens the need for such an approach.

The Commission's auditors will, in autumn 1998, be reviewing the extent to which councils have achieved the improvements they identified through the Management Arrangements audit process.

The Accounts Commission is a statutory, independent body which, through the audit process, assists local authorities and the health service 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 and the NHS
- 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, 36 joint boards (including police and fire services), 15 health boards, 47 NHS trusts and five other NHS bodies. In total these organisations spend public funds worth around £12 billion a year.

This paper was written by Derek Stewart and Mik Wisniewski under the general direction of Alan Neilson, Head of Management Studies.

The Management Studies Unit welcomes feedback on its work. Comments or queries should be addressed to the Unit.

Derek Stewart

Tel 0131 624 8449
dstewart@scot-ac.gov.uk

Alan Neilson

Tel 0131 624 8420
aneilson@scot-ac.gov.uk

Mik Wisniewski

Tel 0131 624 8448
mwisniewski@scot-ac.gov.uk

Diane McGiffen

Tel 0131 624 8447
dmcgiffen@scot-ac.gov.uk

Management Studies Unit
Accounts Commission for Scotland
18 George Street
Edinburgh EH2 2QU
Tel 0131 477 1234
Fax 0131 477 4567

Management Studies Unit mission

We aim to be a centre of excellence for encouraging continuous improvement in the management of Scottish councils.

We will achieve this through the audit of management arrangements and by promoting good practice.

We will be customer driven, innovative and work in partnership with councils, auditors and other bodies.

We aim to ensure that we have the skills and knowledge necessary to achieve this.



18 George Street
Edinburgh EH2 2QU
Telephone 0131 477 1234
<http://www.scot-ac.gov.uk>
publications@scot-ac.gov.uk