



The Audit of Best Value and
Community Planning

East Lothian Council



Prepared for the Accounts Commission
October 2007

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 four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance 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 they are required to publish.

The Commission secures the audit of 32 councils and 41 joint boards (including police and fire and rescue services). Local authorities spend over £14 billion of public funds a year.

Note:

Prior to September 2007 the Scottish Administration was generally referred to as the Scottish Executive. It is now called the Scottish Government. When dealing with the earlier period this report refers to the Scottish Executive.

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 Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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The Audit of Best Value



This report is made by the Controller of Audit to the Accounts Commission under section 102(1) of the Local Government (Scotland) Act 1973. After considering it the Commission may do any or all of the following:

- direct the Controller to carry out further investigations
- hold a hearing
- state its findings.

The Local Government in Scotland Act 2003 introduced new statutory duties relating to Best Value and Community Planning. The scope of Best Value and Community Planning is very broad but in general terms a successful council will:

- work with its partners to identify a clear set of priorities that respond to the needs of the community in both the short and the longer term
- be organised to deliver those priorities
- meet and clearly demonstrate that it is meeting the community's needs
- operate in a way that drives continuous improvement in all its activities.

The challenge for local government is to find new ways of working across services and with other bodies to achieve the best results for citizens and service users. The key objectives of this audit were to:

- assess the extent to which East Lothian Council is meeting its duties under the Local Government in Scotland Act 2003
- agree planned improvements with the council. These will be reviewed by the council's external auditor over the next three years.

As Best Value and Community Planning encompass all the activities of a council it is not realistic to audit

everything in depth, so we plan our detailed work in two ways:

- Where possible, we draw on the findings of other scrutiny processes, such as the work carried out by the council's external auditors and by inspectorates. These are incorporated into our report.
- We select certain aspects of the council's performance for detailed audit investigation. A wide range of sources, including the council's own assessment of its performance, reports issued by external audit and inspections, and national Statutory Performance Indicators, informs this selection.

The report reflects this selective approach, with detailed commentary on some areas and limited or no coverage in others. While we have made some comparisons with other councils, our overall approach has focused on performance trends and improvement within East Lothian Council. The report largely reflects the picture available at the time our main audit work was conducted between February and March 2007 when the previous council was in office. There have been a number of significant developments since then affecting the leadership of the council.

At the Local Government elections in May 2007, the Labour Party, which had been the majority party for many years, lost control of the council and a coalition administration was formed between the SNP and the Liberal Democrats. Just prior to the elections, the previous council decided to restructure the senior management and reduce the number of senior officers in the council. The chief executive, who had been in post since 1996, indicated his intention to retire in July 2007 and following an internal recruitment process, the director of corporate services (designate) was appointed to succeed him. These decisions became the subject of a statutory report by the Controller of Audit and findings by the Accounts

Commission under Section 102(1)(b) of the Local Government (Scotland) Act 1973. As a result of these reports and legal advice provided to the new council, the decisions about the departure of the chief executive, the provisional appointment of a replacement and restructuring of senior posts have been reversed. The chief executive was on 'garden leave' since May 2007 and retired from the council on 30 September 2007. The new council, which has accepted the conclusions of the statutory report and Account Commission findings, has indicated that it will review the senior management structure before proceeding to recruit a new chief executive.

We gratefully acknowledge the co-operation and assistance provided to the audit team by East Lothian Council, particularly the councillors and officers contacted during the audit. We would like to particularly thank councillor David Berry, leader of the council; councillor Norman Murray, former leader of the council to May 2007; Alex McCrorie, acting chief executive; John Lindsay, chief executive to September 2007; and Jim Lamond, head of Policy and Business Management.

Commission findings



1. The Commission accepts this report on the performance of East Lothian Council's statutory duty to secure Best Value and to initiate and facilitate the community planning process. The Commission recognises that the report gives a broad picture of the council's performance based on the work of Audit Scotland and the findings of other scrutiny bodies such as Inspectorates and that it does not attempt a comprehensive review of all service delivery. We acknowledge the co-operation and assistance given to the audit process by members and officers of the council.

2. East Lothian Council has many inherent advantages due to the context in which it operates. The council's area enjoys:

- an unemployment rate below the Scottish average
- low levels of deprivation
- life expectancy better than the Scottish average
- relatively low levels of crime
- good transport links
- an attractive environment.

3. It is therefore of particular concern that the council has made such limited progress in establishing Best Value. While there are examples of successful service delivery, council services perform just below the Scottish average. Relationships between political and managerial leaders have been unduly close, resulting in informal decision-making and a lack of openness and transparency. The council has no financial strategy and does not have a systematic approach to the management of assets. Leadership of the council has lacked vision and coherence and has not promoted continuous improvement. Elected member leadership capacity has been limited and they have not been well supported to develop this capacity.

This is combined with a lack of strategic focus and leadership by the Corporate Management Team.

4. We recognise that the council has experienced significant changes in political leadership following the elections in May 2007 and that there are plans for a review of senior management with the departure of the chief executive. The council has a singular opportunity to introduce a programme of change and development in order to achieve Best Value for its local population. Council staff are committed and there are examples of good improvement work within services. We are concerned, however, about the capacity of the council to address the major issues which it faces and we urge it to consider what appropriate avenues are available for external assistance, including learning from best practice in the local government community.

5. The issues which the council should address immediately include:

- Open and transparent decision-making, with members and officers adhering to their roles and responsibilities.
- More robust and effective scrutiny arrangements.
- Effective support and training for members.
- A stable senior management structure with the capacity to take forward the improvement agenda.
- Medium to longer term strategies for effective management of resources, including financial planning and asset management.
- An effective framework for strategic planning.
- An integrated framework for continuous improvement.

6. We look forward to receiving an Improvement Plan from the council which addresses the issues raised in the Controller of Audit's report and these findings.

Overall conclusions



East Lothian Council has made limited progress in establishing best value. Elected members and senior officers have not provided clear leadership and strategic focus to drive a consistent corporate culture of improvement. The council lacks a coherent approach to continuous improvement and as a consequence individual services are developing their own approaches.

The close and long-standing relationships between elected members and senior officers have led to an informal approach to conducting council business with many meetings held in private. This has been compounded by a lack of openness in respect of decision-making. These relationships have not been conducive to developing an environment within which robust challenge and scrutiny of performance by elected members can take place.

Progress with Community Planning has been slow and there is little tangible impact from investment so far. Some services such as education, respite care and planning perform well, but other services need to improve including homelessness, residential care and building standards.

The council has been putting in place a number of arrangements to support best value but many of these, including scrutiny arrangements, asset and risk management, option appraisal and the approach to competitiveness, require further development before they are fully effective. The council has significant weaknesses in its financial stewardship. It has low levels of reserves, relies on the Housing Revenue Account (HRA) to fund budget gaps and has no longer term financial strategy.

- 1.** East Lothian has a population of 92,000 and covers an area of approximately 679 sq km. It is ranked 18th in Scotland in terms of area and population density. The area offers a good quality of life for its residents. It offers an attractive environment, good transport links, good educational attainment levels and suffers few of the challenges prevalent in other areas, with relatively low levels of deprivation and crime. The council faces challenges including services for an increasingly elderly population and providing affordable housing.
- 2.** Until very recently there had been little change in the elected member and senior officer leadership of East Lothian Council for many years. The council had had a Labour administration since 1996 but the May 2007 elections returned seven Scottish Labour, seven Scottish National Party (SNP), six Liberal Democrat, two Conservative and one Independent member. The SNP and Liberal Democrats have formed a coalition administration.
- 3.** In the stable environment which prevailed until May 2007, close relationships developed between elected members and officers and much council business has been conducted in private. The council's Policy Forum, comprising the cabinet and the Corporate Management Team (CMT), operated in a largely informal manner and while minutes of meetings were produced, these were restricted in their content and circulation. The Policy and Performance Review Panels (PPRPs), including the corporate governance PPRP which acts as the council's audit committee, meet in private. This is not in line with recommended good practice.
- 4.** Such an informal approach has left the council open to criticism for a lack of openness and transparency which is a key principle of best value. The closeness in relationships has not been conducive to the development of a consistent culture of continuous improvement, underpinned by robust scrutiny and challenge.
- 5.** There has been a lack of openness and transparency in the council's decision-making. Key decisions such as the recent managerial restructuring and arrangements for the chief executive's retirement, the decision to invest in Musselburgh Racecourse and the delegation of authority for buying back ex-council houses were not taken in an open and transparent way.
- 6.** The council has demonstrated limited self awareness of what needs to improve. The council's best value submission identified some required improvements but these did not include key areas which we have identified, such as the openness of decision-making, better medium-term planning and a coordinated corporate approach to continuous improvement activity. The scale of the improvements required is considerable and the council needs to develop a strategic focus on priorities for improvement to meet the requirements of best value.
- 7.** The leadership of the council has not been effective in creating a culture of improvement or in implementing a coherent framework through which continuous improvement can be systematically considered, monitored and delivered. The council has in place, or is developing, a number of initiatives which it intends will support continuous improvement. However, in the absence of a clear articulation of how these activities interrelate, neither members nor staff have a consistent understanding or ownership of a coherent corporate approach to improvement.
- 8.** The council commissioned an Improvement and Development Agency (IDeA) peer review in 2004. The resulting 'Quantum Leap' Improvement Plan was last reported to elected members in November 2005. During 2006 it was subsumed within the council's best value improvement plan. This process has

not been transparent through CMT or cabinet and as a consequence the profile and importance of the IDeA review and its part in shaping the council's improvement culture has been diminished.

9. The CMT, comprising four directors and the chief executive, has lacked a strategic focus and does not routinely discuss corporate and service performance. The 2007/08 budget was subject to limited discussion and services tend to develop their own service-based cultures in response to external stimuli such as inspections of housing and education. There is a lack of a corporate mechanism for transferring learning between those service areas which are seeking to improve. This trigger-based approach to improvement is reactive and does not promote a commitment to continuous improvement.

10. Elected members have not demonstrated strong leadership in respect of best value or Community Planning. There has been a lack of training and investment to support them in developing this capacity. Even where support has been offered there has been little evidence of elected member commitment. The previous council's planned changes in managerial structures, intended to achieve efficiency savings, would have reduced managerial capacity, particularly that of the newly defined chief executive position, because of the requirement to hold responsibility for a substantial service department to carry out the functions previously belonging to two separate departments.

11. The council has established a long-term vision for the area and the commitment to the vision by elected members and senior officers is clear. The vision has been incorporated into the Community Plan, although there are doubts about the extent to which this vision is shared and owned by partners. In our survey of Community Planning partners, only two out of seven partners who responded considered that the 2020 vision reflected their organisational priorities

and the Community Plan is yet to be formally adopted by the community planning partnership.

12. The council has attempted to understand the needs of its communities and has good relationships with its community councils. There are many joint working initiatives with partners. However, the council has much to do to discharge its responsibilities for community planning. There is a lack of clarity around the structure and how this will take forward the priorities of the partnership. There has been limited evidence of the East Lothian Community Planning Partnership (ELCPP) having an impact on local communities. It now needs to take a more strategic approach to demonstrate how its activity impacts on service provision.

13. The council has a sound framework in place for operational planning. It has identified short-term corporate priorities but lacks medium-term priorities as the core priorities only run to 2007. The new council has indicated that it plans to review and refresh these medium-term priorities before the end of 2007. The purpose and profile of the administration's political manifesto, which was monitored and reported on rather than the council's corporate plan, also needs to be clarified. We understand that this is also under review as part of the new council's review of the corporate plan.

14. The council's political and managerial structures are broadly aligned. It has operated a cabinet that is made up of members from the administration and the leader of the opposition. It also has four PPRP's as well as other statutory and regulatory committees. There is scope to improve on these arrangements by ensuring that operationally there is clarity between the respective roles of cabinet and full council, particularly in scrutinising decision-making and corporate performance. The effectiveness of the PPRPs would be improved by developing more robust scrutiny and challenge of service performance.

15. The council introduced a performance management framework in 2003, although this is not robust or fully effective. The council does not currently monitor performance in delivering its thematic corporate priorities and it plans to develop and implement a Corporate Scorecard to complement the work it has completed in developing scorecards on service performance.

16. Council services perform around the Scottish average as measured by Statutory Performance Indicators (SPIs). In 2005/06, the council had 19 indicators in the upper quartile and 16 in the lower quartile. Since 2003/04, 19 measures have improved by five per cent or more and 14 measures have declined. The council's ratio of improvement to decline of 1.36 places it 17 out of the 32 councils, and close to the Scottish average of 1.41.

17. Council staff are committed and there are examples of some good improvement work within services and with partners, for instance the achievement of Investors in People (IIP) accreditation by education services HQ, economic development and community well-being, the East Lothian Litter Initiative, and the work of the Community Safety Partnership. Community support has received praise from the Social Work Inspection Agency (SWIA) for its risk-based approach to violent offenders and the community housing and property management service is making good progress with tackling rent arrears.

18. In terms of the council's measurable performance, the education service is performing well with good attainment levels and is making good progress with its school estate management resulting in high occupancy rates. The planning service has performed well in dealing with planning applications, which is important given the area's continuing growth, and noise complaints are dealt with promptly.

19. Some services perform poorly including homelessness, aspects of adult social care and libraries, building standards and some aspects of food hygiene.

20. The council has no financial strategy and operates with a low level of reserves and no plan for replenishing them. It compiles information about assets but does not have a systematic approach to the management of assets. The council has identified the need for a risk management framework although progress has been slow and it has much to do to embed this approach. It is making major change in its procurement practices and is beginning to realise benefits. The council has introduced a People's Strategy to support the council's 2020 vision but it is too early to judge its impact.

21. The council has delivered improvements in the education sector through a Public Private Partnership (PPP) programme. However, it cannot demonstrate the competitiveness of its activities. There is a lack of recent evidence on the competitiveness of some of its commercial services and it does not have a programme of service reviews. The council has identified that this is a key area for improvement.

22. The council faces a challenging improvement agenda. In order to implement the necessary improvements, it needs to improve the openness of its activities and provide a better strategic focus on improvement by elected members and officers. This needs to be presented within a more coherently expressed corporate framework to improvement which staff, members and partners understand and recognise. It has many examples of good work in the services it can build on as well as its ongoing investment in developing its corporate arrangements. Recent changes in the leadership of the council provide a significant opportunity to address many of the issues we have raised.

Responsibility for taking forward improvement falls to the new council, which has already indicated its determination to adopt a fresh approach that will address many of the difficulties identified in this report.

Part 1. Does the council have clear strategic direction?



East Lothian's population is growing at a faster rate than other areas in Scotland. This provides challenges for the council in providing services to an increasingly elderly population and providing affordable housing and transport links. However, it suffers fewer of the challenges prevalent in other authorities with low levels of deprivation and crime.

The council has a vision which reflects these challenges. However, the lack of effective leadership and a robust planning framework makes it difficult to focus on those things which matter most. Progress is further inhibited by the lack of openness in the council's decision-making processes.

The council is developing its approach to working with its communities and makes good use of its relationship with community councils. However, its effectiveness is limited by the lack of a strategic and coordinated approach to its consultation and engagement activity. It has also made little progress in improving complaints handling, despite it being identified as a priority in 2003.

The local context

23. East Lothian Council covers an area of approximately 679 sq km and has a population of 92,000 (Exhibit 1). It is a medium-sized authority ranking 18th in Scotland in terms of area and population density. Around half of the population live to the west in the Musselburgh, Prestonpans, Cockenzie, Port Seton and Tranent areas.

24. The population is increasing with an expected rise of 12 per cent by 2024. This contrasts with the population of Scotland as a whole which is projected to remain stable. The current population profile for East Lothian compared with Scotland as a whole shows a slightly higher percentage of children and of older people, and a slightly lower percentage of working age people.

Exhibit 1



Source: East Lothian Council

The working age population is expected to increase by five per cent by 2024 compared to a decline of eight per cent for Scotland.

25. Service sector jobs account for 75 per cent of jobs in the East Lothian local economy. While agriculture remains important the industry base now includes electronics, chemical research and printing. The median gross weekly wage in East Lothian is £428.80 which is below the Scottish average (£432.00).

26. Forty-two per cent of East Lothian residents who travel to a place of work or study travel outside of the area. Thirty-six per cent travel to Edinburgh. This high level of outward commuting is of potential concern to the council and may give rise to unsustainable travel patterns and a negative impact on the local economy and communities.

27. Tourism generates £120 million a year for the local economy. Tourism-related employment in East Lothian is 12.7 per cent of all employment. Visitors are attracted to the area by the Museum of Flight at East Fortune, the Scottish Seabird Centre, the racecourse at Musselburgh, attractive golf courses and award-winning beaches and coastline.

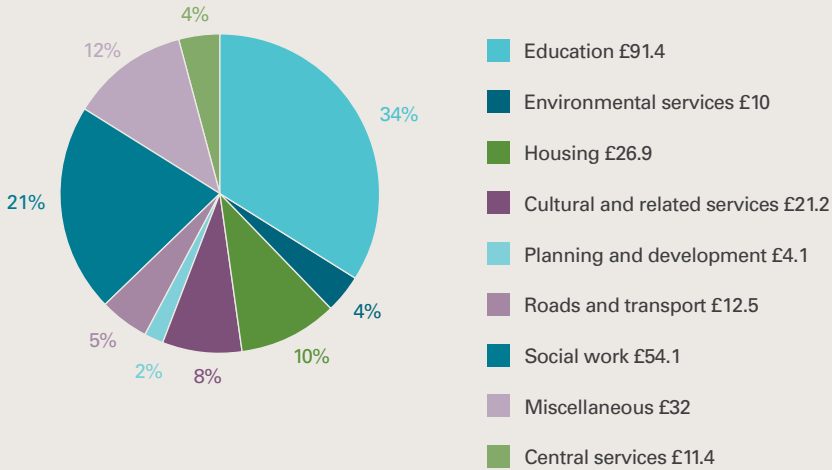
28. The unemployment rate in East Lothian is 1.6 per cent (November 2006) and is below the Scottish average of 3.3 per cent. East Lothian has fewer long-term unemployed than Scotland as a whole and long-term unemployment has continued to decrease over the past year. A significant amount of employment is seasonal, focusing on the agriculture and tourism industries.

29. East Lothian has low levels of deprivation. The Scottish Index of Multiple Deprivation (SIMD) identifies only 0.1 per cent (ie, one data zone) of data zones in the most deprived 15 per cent. Free school meal entitlement is substantially below the Scottish average. Life expectancy is better than the Scottish average and alcohol-related hospital admissions are well below the Scottish average. Where it exists, deprivation and disadvantage is in small pockets, such as part of Prestonpans, which can be hidden by the overall positive picture.

30. East Lothian is the fourth most expensive council area in Scotland to buy a home with the average house price almost £178,000. However, the pace of increase in 2006 was at 5.2 per cent, the fourth lowest nationally. Seventy-one per cent of homes are owner-occupied while 20 per cent are

Exhibit 2

Gross cost of services 2005/06 (£ million)



Source: East Lothian Council Consolidated Revenue Account 2005/06

rented from the public sector. This presents a challenge to the public sector to provide affordable housing options.

31. There are relatively low levels of crime in East Lothian. The Index of Crime rate per 10,000 population for East Lothian is 64 (Scottish=100), ranking it the 24th lowest area for crime in Scotland. The proportion of crimes solved in East Lothian is 37 per cent, which is lower than the Scottish average (46 per cent). Eighty-eight per cent of residents do not feel threatened by crime in their neighbourhood.

32. School occupancy and attainment levels are good. Ninety-one per cent of primary schools have occupancy of between 61 per cent and 100 per cent (second highest in Scotland) and all of its secondary schools have an occupancy rate of between 61 per cent and 100 per cent (highest in Scotland). The percentage of S4 roll which gained 5+ SQA awards at level 5 or better by the end of S4 is 40 per cent, compared with 34 per cent for Scotland (ranked eighth in Scotland).

33. Transport links within the area are good. These include the A1 trunk road and the main east coast rail line between Scotland and England.

Commuters to Edinburgh are served by a park and ride at Newcraighall. Several bus companies provide services within East Lothian and beyond and many of these are supported by council subsidy.

34. In 2005/06, the council's gross cost of services was £263 million (Exhibit 2). Its net expenditure was £166 million. The average spend per head of population is £2,872 (ranked 20) compared with Scottish average of £3,151. Band D council tax for 2006/07 is £1,096 (ranked 22) and below the Scottish average of £1,129.

35. The council has 23 elected members. Before the May 2007 elections it had been a Labour administration which had remained unchanged since the council's inception in 1995. The council is now made up of seven Scottish Labour, seven SNP, six Liberal Democrat, two Conservative and one Independent councillor. The SNP has formed a coalition administration with the Liberal Democrats. The leader of the council is from the SNP and the provost is a Liberal Democrat. The principal committee convenorships are divided between both parties and the chair of each of the Policy and Performance Review Panels has been given to members of the opposition.

Leadership

Elected member and senior officers have not provided clear leadership and strategic focus. There has been long-standing stability of political and managerial leadership. This has resulted in close relationships developing and a tendency to rely on informal management arrangements. This inhibits the effectiveness of the leadership and leaves the council open to criticism about its lack of openness. The council now faces a significant change with a new coalition administration in control.

36. There has been long-standing stability in the leadership of the council with many elected members and senior officers having been in place since the council was set up in 1996. This has given rise to good relationships between elected members and senior officers. Cabinet members liaise directly with officers appropriate to their portfolio and non-cabinet members also speak of good access to officers.

37. The council has had a consensual approach to decision-making at senior levels but relationships have in some cases been too close. The IDeA peer review in 2004 referred to good relationships between members and officers to which it added a caveat of 'perhaps too cosy'. There was no subsequent consideration or evaluation of this issue as part of the council's action planning or actions. More recent evidence from both officers and members suggests that this has continued to be an issue. A recent example concerns the appointment of four serving elected members to the Musselburgh Racecourse Joint Racing Committee being progressed even though three out of the four individuals were due to leave the council in May 2007. This suggests that it was the individuals rather than the roles they fulfilled that were prioritised. Such close relationships are not conducive to the development of a consistent culture of openness and transparency.

38. Elected members have not demonstrated strong leadership in respect of community planning. While the partner agencies that responded to our survey thought that the council showed a commitment to community planning, they did not think that elected members provided effective leadership in the partnership. The provost and leader of the council are involved in the community planning partnership. However, community planning has some way to go to demonstrate and deliver improvements for local communities.

39. The leadership of the council has not been effective in promoting best value or creating a culture of improvement. It has not implemented a coherent framework through which continuous improvement can be systematically considered, monitored and delivered. There is no strategic review programme and departmental reviews are carried out on an ad hoc basis. There is a lack of a corporate mechanism for transferring learning between those service areas which are seeking to improve.

40. The IDeA peer review ([Exhibit 12, page 25](#)) identified the need for leadership to 'be more self aware, develop internal challenge and be less compromising in order to deliver the aspiration to be a top performer'. It also urged that the council 'extinguish signs of inertia and contentment'. There has been limited progress in this area. The Quantum Leap Improvement Plan (QLIP) developed in response to the peer review has not been reported to elected members since November 2005. An updated QLIP was presented to senior officers in June 2006 and subsequently incorporated into the council's best value improvement plan. This process has not been transparent to many officers and members and as a consequence the profile and importance of the IDeA review and its part in shaping the council's improvement culture has been diminished.

41. Elected member leadership capacity is limited and elected members have not been well supported to develop this capacity. The council's approach to elected member training and development is not comprehensive or systematic and the commitment of members to training when offered has not been strong. Almost a quarter of elected members who responded to our survey either did not agree or had no view when asked whether they had appropriate access to training and development opportunities. Induction training was provided for elected members in 2003. A development programme for elected members was cancelled due to the lack of numbers.

42. There is a lack of strategic focus and leadership by the CMT. Corporate and service performance is not routinely discussed at meetings of the CMT and the 2007/08 budget was subject to only limited discussion. The previous council's planned changes in managerial structures (now under review) would have reduced senior management capacity by requiring the chief executive to take a more strategic focus while at the same time hold responsibility for a substantial service department. The lack of a corporate commitment to continuous improvement is reflected in evidence of silo working with departments working independently of each other.

43. There has been limited investment in developing senior officer capacity. The council does not have a leadership development programme for senior officers although it is beginning to focus on this area through the People Strategy 2006-12. Without a clearly focused programme of development the council risks under-utilising the available management capacity.

44. The council is now entering a period of unprecedented change. Following the May 2007 elections a number of senior politicians (including the council leader and provost) left the council. The long-standing chief executive is also due to retire at the

end of September 2007. Following the statutory report by the Controller of Audit and the Accounts Commission findings, and the legal advice obtained by the council in respect of the chief executive's retirement and the related management restructuring, the council has now indicated that its planned proposals will not go ahead. This has provided a significant distraction for the leadership of the council at the same time as it has a challenging improvement agenda to address.

Political structures

The council has implemented generally appropriate political structures. The role of the Policy Forum should be clarified and formalised in the council's scheme of delegation.

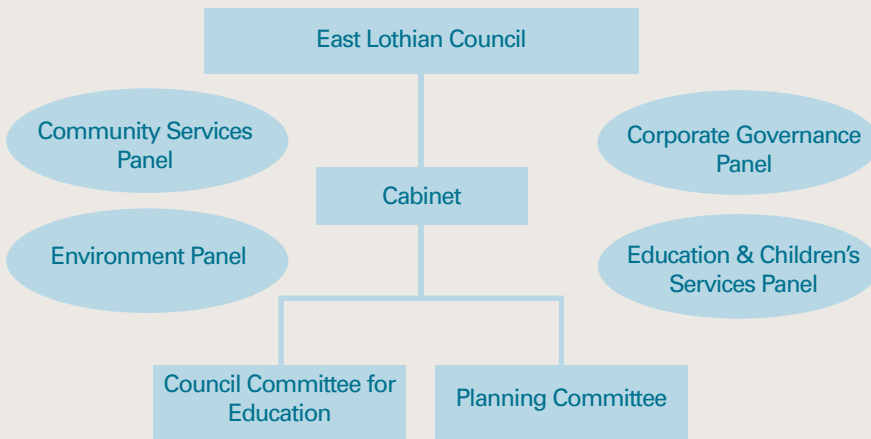
45. The political structure of the council ([Exhibit 3, overleaf](#)) is based on an executive (cabinet) system. The executive comprises eight elected members, including the leader of the opposition. All members are invited to meetings of the cabinet. The cabinet develops, determines and implements policy and associated matters. It is the key decision-making forum of the council.

46. There is a council committee for education reflecting the need to include religious and teacher representatives. There are also regulatory committees for licensing and planning and four PPRPs: corporate governance; community services; education and children's services; and environment. Their remit extends to 'all matters' of the appropriate departments, including 'vision and direction setting by members' and 'consultation and communication with communities'. They also scrutinise the performance of services.

47. In 2001, and then again in 2003, the council reviewed how it makes decisions. The 2003 review addressed a need for cabinet meetings to be more focused, which resulted in a revised scheme

Exhibit 3

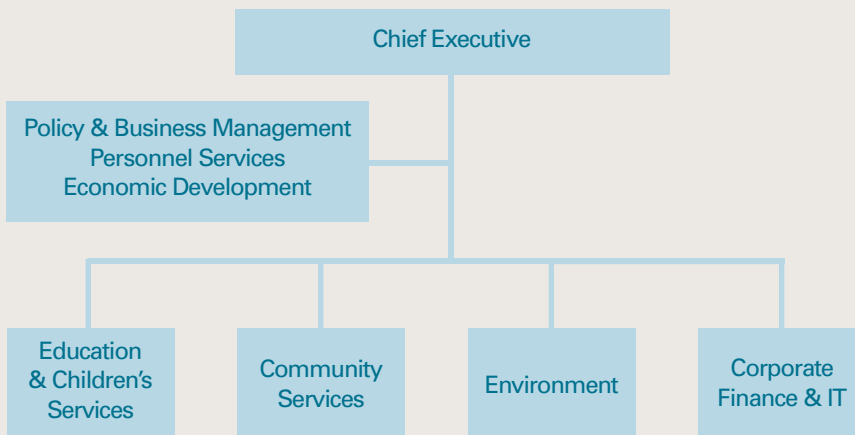
East Lothian Council political structure



Source: East Lothian Council

Exhibit 4

East Lothian Council management structure



Source: East Lothian Council

of delegation to officers and more focused cabinet agendas.

48. At the time of our audit, five cabinet members held portfolio roles covering environment, education and children's services, community care and joint futures, community services and corporate services. Members of the cabinet displayed a good working knowledge of their portfolio areas and this is evident at meetings of the council and the cabinet. Since the election, the council has replaced the corporate services portfolio with public

health and the community services portfolio has been renamed as housing and community services. The three remaining portfolios remain unchanged.

49. A Policy Forum consisting of all administration cabinet members meets with the CMT and other senior officers on a regular basis with all meetings held in private. The Standing Orders and Scheme of Delegation do not define a remit for the forum, although we understand from officers that the forum does not have any decision-making powers.

There is good discussion between members and officers in undertaking its business but the closed nature of the meeting inhibits the openness and transparency of its activities. Greater clarity is needed in respect of the forum's formal role within the council's structures.

Managerial structures

Managerial and political structures are broadly aligned.

50. The previous chief executive was in position from 1995 to May 2007 when he went on 'garden leave' until he retired from the council on 30 September 2007. The CMT was made up of four directors and the chief executive (Exhibit 4). The previous council planned to reduce this to three directors with the chief executive taking responsibility for all corporate services including finance, legal, corporate policy, communications, IT and personnel.

51. In February 2007, the council agreed to a proposal by the ruling administration to merge the two central corporate departments (ie, chief executive's service and corporate finance & IT) with effect from August 2007. This change would not have affected the alignment of managerial structures with political structures. The proposal was dependent on the current chief executive leaving the council and an internal recruitment process being undertaken for his successor. This would allow savings to be realised to support the setting of the 2007/08 revenue budget. The previous council agreed that a new chief executive would be appointed from one of the four existing directors. In April 2007, the director of corporate finance and IT was successful in the recruitment process and appointed as acting chief executive. The proposed departmental reorganisation and voluntary redundancy of the chief executive was the subject of a statutory report by the Controller of Audit to the Accounts Commission

(Exhibit 5). The Accounts Commission accepted this report, endorsed its conclusions and identified lessons to be learned for general application when councils are reorganising their structures and appointing senior staff.

52. The failure to operate an open competition process to appoint a new chief executive demonstrates that this process was not consistent with the principles set out in the Best Value guidance.

53. Given the need for better strategic and corporate focus of the CMT, it would be difficult for a chief executive with responsibility for a substantial service department to have the capacity to deliver the required change. This was a view shared by a number of elected members and senior officers. The new council has decided that the proposed changes agreed by the previous council will not go ahead and is currently

reviewing what action it proposes to take in relation to the council's future senior management arrangements.

Setting a clear direction

Vision

The council has established a long-term 2020 Vision. This is underpinned by six core priorities which reflect the council's key contextual challenges such as affordable housing. There is a lack of medium-term priorities as the core priorities only run to 2007 although the council plans to review these before the end of 2007.

54. In April 2006, the council agreed a long-term vision for the area in its 2020 Vision (Exhibit 6). The 2020 Vision was developed following an IDeA peer review that identified little evidence of long-term planning beyond 2007.

55. The 2020 Vision is broadly in line with the vision articulated in the *Corporate Plan 2004-07*: 'East Lothian Council will safeguard, promote and improve the social, economic, environmental and democratic wellbeing of all the people of East Lothian and for future generations'.

56. The council has not effectively prioritised its services. The council adopted six 'core priorities' (Exhibit 7) in April 2006. The core priorities set out shorter term targets up to 2007. The priorities are broadly similar but not entirely consistent with the 2020 Vision, for instance public service and transport are identified within the 2020 Vision but not the core priorities. Despite having adopted core priorities, the council is unable to demonstrate that it has reallocated resources to focus on delivering these key priorities or reduced or removed resources to or from areas not identified as key priorities.

57. While the council has established a longer term vision, it should ensure that there is clarity and consistency in how it articulates this vision in its key strategic plans. The council does not have medium-term goals and targets to allow it to monitor its interim progress in delivering the 2020 Vision. The council plans to address this issue through the production of a new corporate plan covering the period 2007-11 before the end of 2007.

Exhibit 5

Conclusions of Controller of Audit's report on departmental reorganisation and voluntary redundancy of the chief executive

- The process by which the council made its decisions did not accord with best practice.
- The information provided to elected members was limited and was not supported by professional advice.
- Members were given insufficient time to consider the issue and were not provided with information on alternative options.
- There was a lack of transparency in the decision-making process.
- The way in which the council appointed the new chief executive makes it difficult for it to demonstrate that it appointed the best candidate.

Source: Audit Scotland

Exhibit 6

2020 Vision

In 2020, East Lothian will have an established reputation as having the highest quality of life in the United Kingdom and the quality of our environment will be recognised as among the best in Europe.

Our dynamic and flourishing economy will support strong, sustainable, safe and inclusive communities where: the demand for affordable, high standard housing will be met; our world-class education service will encourage all our children and young people to achieve their full potential; and, all our citizens will have access to the highest quality public services and a modern integrated transport infrastructure.

In 2020, our citizens will be proud of East Lothian.

Source: East Lothian Council

Exhibit 7

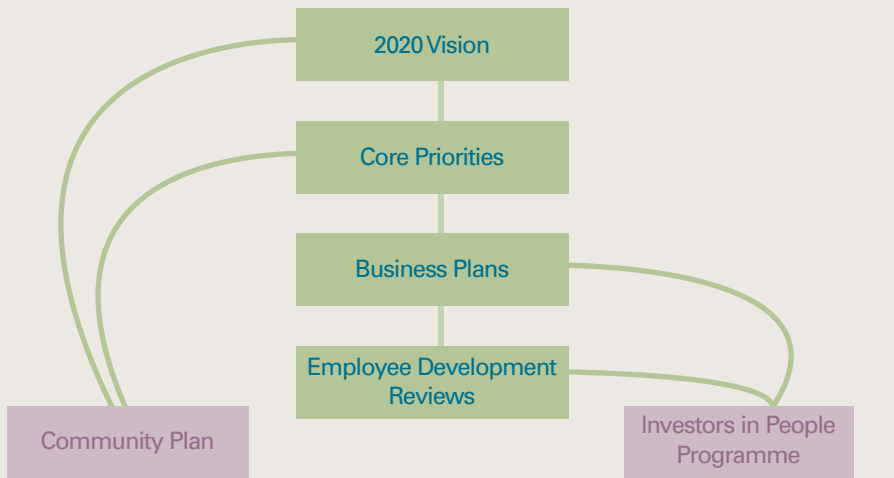
Core priorities

- Increase the supply of affordable housing
- Keep our environment clean & green
- Help build safer communities
- Raise educational attainment
- Encourage enterprise & skills
- Promote healthy living and improve social care

Source: East Lothian Council

Exhibit 8

The Golden Thread



Source: East Lothian Council

Planning framework

The council has established a planning framework. These arrangements are not yet fully effective or embedded. There is a lack of alignment of priorities within the planning framework and there is not yet a consistent understanding or ownership of the approach. The administration's manifesto has had a higher profile than the corporate plan, although we understand that following the May 2007 elections the council plans to review this practice. There has been limited monitoring of progress against the community and corporate plans. There is a sound framework in place for service planning.

58. East Lothian Council's approach to strategic planning includes a community plan, a corporate plan, corporate priorities and business plans. The administration's manifesto has played a key role in the council's approach, although we believe that this practice is under review by the new council as part of its approach to developing a new corporate plan.

59. The council has a 'Golden Thread' approach to creating links and consistency between its plans and targets from its 2020 Vision through to Employee Development and Reviews (Exhibit 8). It acknowledges 'that the cascade of priorities has not been entirely aligned' and this is evident in the lack of understanding and ownership of plans by staff.

60. The council has in place the foundations for an effective business planning framework. However, it lacks effective corporate leadership and direction in applying its approach. In practice, there is difficulty in following the 'Golden Thread' from community plan to corporate plan through to its service plans and to the employee development and review process. The council should ensure that it develops its planning framework effectively and that it links its various plans to its core priorities and objectives in order to give a clear focus.

61. The council cannot clearly demonstrate that financial resources align to the objectives and priorities set out in the corporate plan or to those in the various levels of business planning. There is a risk that service priorities do not clearly influence the allocation of resources and this failure to cost activities could result in difficulties in delivery.

Community plan

62. The second East Lothian Community Plan (2006-16) incorporates the 2020 Vision and adopts the council's core priorities. It was agreed and endorsed by East Lothian Council in August 2006. Despite significant involvement of partners in developing the plan, it is not clear that the plan has been formally adopted by the community planning partnership.

63. There was no reporting or monitoring of progress of the previous community plan and the council had no clear mechanisms for monitoring progress against action plans. Targets have been set against each of the core priorities outlined in the current community plan. The community planning partnership has not yet undertaken any systematic monitoring or reporting of its progress against these targets, although it plans to make its first annual performance report to the partnership in October 2007. There remains a lack of clear priorities and action plans.

Corporate planning

64. The corporate plan covers the period 2004-07. There has been no update to the plan and it is not aligned with the community plan, the 2020 Vision and the core priorities. The corporate plan does not contain targets and there is no evidence of it being monitored and reported to elected members. Following the May 2007 elections, the new council has started work to develop a new corporate plan and it is important that it takes the opportunity to improve on the weaknesses we have identified in the council's existing approach.

65. The administration's manifesto sets the political priorities for the council and was adopted by the council in May 2003. The manifesto was produced by the East Lothian Labour group for the 2003 election campaign. The manifesto lists seven strategic areas: education and young people; health and social care; enterprise and lifelong learning; social justice; environment and rural

development; transport; and crime. These are broadly consistent but not the same as the 2020 Vision or the council's core priorities. The council monitors and reports its progress in achieving the aims and objectives of the manifesto to cabinet and full council.

66. Despite the intended Golden Thread approach the council has placed more emphasis on the manifesto rather than its community and corporate plans. In doing this it has not taken into account strategic and statutory responsibilities which were not included in the manifesto document such as providing educational services to children and young people. While the manifesto identified education and young people as a key strategic aim, it did not identify educational achievement and attainment in education as a key aim or objective.

67. The IDeA report indicated the usefulness of the manifesto in setting clear priorities for the council, but also highlighted that there was scope for better links with the corporate plan. The corporate plan and manifesto run in parallel but there is no evidence to suggest that they link with one another. If it chooses to operate in this way in future the council could provide greater clarity by revising its corporate plan to fully encompass the manifesto and link it to the community plan.

Service planning

68. The service planning processes are consistent and comprehensive but not well aligned with the allocation of financial resources. The council operates a three-tiered level of annual service planning that covers the departmental (level 1), group (level 2) and unit plans (level 3). The plans set out how the departments fit with the wider agenda and align, in principle, to the council's core priorities although the level three unit plans lack these linkages. Their progress is monitored through the balanced scorecard approach.

69. The department business plans are presented and approved by the full council, while the group business plans are approved at the relevant PPRPs. This can be some way into the planning cycle – in 2006/07 the level 2 plans were not submitted to the PPRPs until September 2006, six months into the period that they cover. The 2007/08 plans will follow a similar timescale. These plans are not reviewed by the CMT and as a result this limits its effectiveness in providing strategic direction and leadership.

Openness and accountability

Council decisions are not always open and transparent. This includes the council's interest in Musselburgh Racecourse, an arms length organisation. A number of key council meetings are held in private and this is not consistent with a culture of openness. There is scope to improve on this by considering more open meetings of the PPRPs and the policy forum. The council could also provide a greater balance in its public performance reporting and improve its complaints handling processes.

70. Elected members have a responsibility to ensure that decision-making processes are open and transparent and that the reasoning underpinning decisions are clearly documented and traceable. The council's decision-making process does not always reflect this best value requirement for openness and transparency. The council, cabinet and education and planning committees meet in public but the important business of the PPRPs and Policy Forum is conducted in private. There is a division of opinion within the council about this practice. The council has suggested that this approach encourages free and open discussion. However, it needs to review this approach to bring it into line with the best value principles of transparency and openness.

71. The practice of meeting in private is of particular significance to the corporate governance PPRP which also acts as the council's Audit Committee. The CIPFA guidance note on Audit Committee Principles states that: 'Although committees of the council are by law open to the public, there will be matters which will require to be heard in private because they deal with either exempt or confidential information, both of which are defined in legislation. Regard should, however, be had to the principle of openness and inclusivity.' This guidance is wholly consistent with best value guidance and implicitly anticipates that such meetings are generally open to the public.

72. The council has been improving access to published information but could improve on this further. Committee agendas, reports and minutes are held in the Committee Management Information System (CMIS) and can be viewed by staff, members of the public and the media through the council's intranet and/or website. Some papers and edited minutes of the PPRP meetings are also published on the council website. The CMT has recently started publishing edited minutes of its meetings on the council's intranet. The policy forum papers are not publicly available.

73. The council also operates a Members Library System (MLS) which is used to record details of decisions taken under the council's scheme of delegation. This is useful but it is unclear what arrangements the council has in place to confirm that the decisions which have been taken are in accordance with the scheme of delegation.

74. The Controller of Audit's statutory report ([Exhibit 5, page 15](#)) into the departmental reorganisation and voluntary redundancy of the chief executive identified a lack of transparency and openness in the decision-making process. The decision to merge two corporate departments and for the chief executive to

leave the council was not formally discussed by senior officers or elected members prior to its presentation to council. There is limited documentation of the discussion and decision-making process.

75. A cabinet meeting in December 2004 approved the delegation of authority to the director of community services to purchase ex-council houses on the open market to alleviate the problem of a shortage of affordable homes. The paper contained no reference to the financial impact of this decision and no option appraisal of alternative courses of action. The council has subsequently spent £13 million to purchase 112 homes.

76. The council's involvement in Musselburgh racecourse is discussed in more detail in [Exhibit 14 \(page 29\)](#). The council has not been receiving regular information on the racecourse. A report to council in January 2006 requested partial funding for the development of the racecourse. The committee report indicated that the council could lend such sums as may be required and referred to a potential loan to the company of around £9 million. This was agreed in principle without adequate supporting information. No business plan was prepared or presented to the council to support this decision.

77. The council's approach to public performance reporting does not provide sufficient balance. The main publication is *Aiming High*. This is distributed annually to all households and contains information about all services, including SPI information. The information mainly focuses on good performing areas rather than providing a balanced picture of all services. It also lacks comparative performance information to inform the reader of trends in performance. A limited reader feedback from the 2005 and 2006 edition suggested satisfaction with the *Aiming High* publication. The council's quarterly newspaper *Focus* also carries more general initiative-related information. There is also a leaflet, *How We*

Perform, setting out SPI information, which is produced annually and circulated around council buildings. Service-specific reporting beyond this is limited, although examples are the quarterly *Home Front* newsletter distributed to all council tenants and the annual *Education Standards and Quality* report.

78. The Society of Computer and Information Technology Managers (SOCITM) survey 2006 rated the council's website as C+; providing very useful content and offering some examples of more advanced online features. These include council tax, rent, business rates and sundry debtor payments; library users can search the catalogue and place reservations; members of the media and general public can access committee papers; planning applications can now be submitted online and interested parties can review plans and comment on applications through the website.

79. The council has a corporate complaints system, Feedback. It is currently an underutilised and ineffective resource as there is no corporate reporting or monitoring of complaints. There are separate complaint systems in each service department. The council cannot say with confidence that it uses complaints effectively to facilitate service improvement. It recognises that it needs to improve in this area and is considering developing a single complaints database as part of its next phase of Customer Relationship Management (CRM) implementation. This priority was initially identified in 2003 but little progress has been made in improving complaints handling since then.

Consultation and community engagement

The council is developing its approach to involving local communities and has a good relationship with community councils. It undertakes a variety of consultation and engagement activity but its effectiveness is limited by the lack of a strategic and coordinated approach.

80. The council does not have in place an overarching Consultation and Engagement Strategy which sets out who, when, how and why consultation and engagement activity will be managed by the council. The council undertakes a variety of uncoordinated activity and they have had varying degrees of success in driving improvement.

81. The council conducts Public Opinion Surveys; these have been conducted in 1997, 2000, 2001 and most recently in 2005. The 2005 survey was used to assess residents' attitudes towards the quality of life in East Lothian, their perceptions of safety and crime, experience of council services and information from the council. The results showed that 98 per cent of respondents were satisfied with East Lothian as a place to live; 66 per cent who had contact with the council in the previous year said they had been either very satisfied or fairly satisfied and 71 per cent of respondents were very satisfied or fairly satisfied with the way the council is running East Lothian. The findings of the surveys are reported to committees and the public. The council has provided limited evidence on how it uses the results of its activity to inform the way it delivers services, for instance in respect of improving its approach to roads maintenance. However, it does not yet do this on a systematic basis across the range of its consultation and engagement activity.

82. The council has developed a 'consulting communities guide'. It also recently developed a consultation register that lists 36 different consultations including exercises relating to local plans, rent increases, public park improvements and customer service.

for developing and implementing this strategy, although recent progress has been made since April 2007 following the appointment of a designated policy officer from the council with responsibility for community planning and community safety.

83. The council supports 20 community councils with small devolved budgets to spend on local priorities (Local Priorities Scheme). The scheme has distributed over £2 million since 1997 and in 2006/07 allocated £179,000 which community councils have used to fund town and village path networks, children's play parks, youth shelters, skateboard parks and landscaping.

84. The community housing and property management department works closely with East Lothian Tenants and Residents Panel (ELTRP). Panel representatives sit on the Programme Board for the Business Change programme in community housing and property management. Representatives are involved in each project group that is reviewing the work of the department. ELTRP also holds membership of strategic housing planning groups such as the Affordable Housing Group, Homelessness Strategy Group and the East Lothian Housing Forum. The department also involved its tenants and residents in jointly developing its Tenant Participation Strategy.

85. The council's approach to community engagement and its effectiveness receives mixed views. Two out of the seven community planning partners who responded to our survey felt local communities were involved in the community planning agenda, while the remaining five respondents either didn't know or had no view.

86. The council, and its partners through the ELCPP, are developing a Community Engagement Strategy, and aim to have this in place by December 2007. At the time of our audit, it did not have a robust plan

Part 2. Is the council organised to deliver better services?



The council has not made as much progress as planned with its improvement activity. There is a lack of a coherent corporate framework to support the delivery of continuous improvement. As a consequence individual services are developing their own arrangements in isolation.

The council has made some progress in terms of performance management and its approach to managing people, ICT and procurement. It has made limited progress in finance, asset and risk management and in terms of efficient government. The council shows a commitment to working with its partners and has developed a number of joint initiatives. However, its approach to community planning lacks strategic focus and has had limited impact.

Overall its progress is hindered by the lack of effective leadership, limited scrutiny and the lack of challenge of service performance and options appraisal.

Working with partners

The council has much to do in respect of community planning. New structures are not yet effective and it is too soon to see a tangible impact from these recent changes. There remain concerns about the capacity available to take forward further improvements and there is a risk that the community plan vision is not owned by partners. However, the council shows a clear commitment to working with its partners to address key issues through a number of established groups.

Community planning

87. The ELCPP was established in 1999 and comprises a number of the area's strategic partners (Exhibit 9). Community planning structures were recently revised during 2006 to incorporate other partnerships and forums that work in East Lothian (Exhibit 10). The ELCPP

Exhibit 9

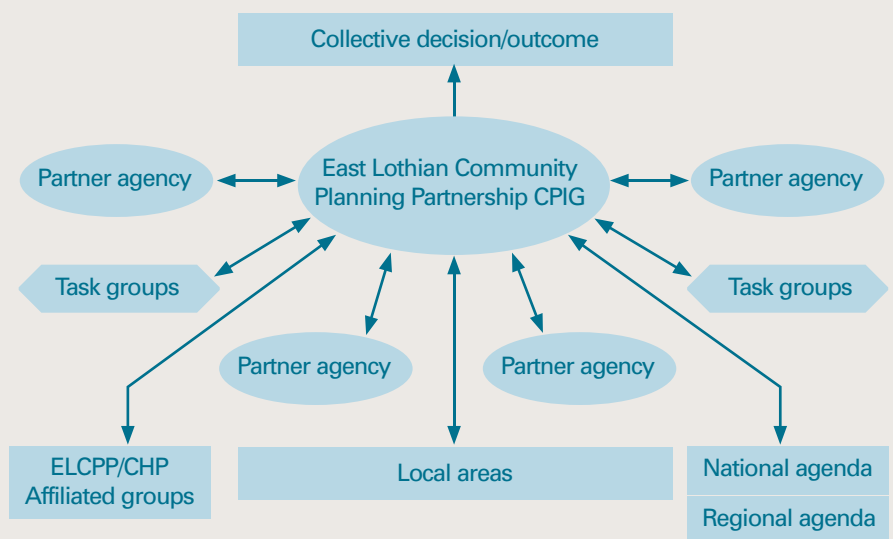
East Lothian community planning partnership

- Communities Scotland
- NHS Lothian
- East Lothian Community Health Partnership
- East Lothian Council
- East Lothian Voluntary Organisations Network
- Lothian and Border Police
- Lothian and Borders Fire and Rescue Service
- Queen Margaret University College
- Scottish Enterprise Edinburgh and Lothian
- The Association of East Lothian Community Councils
- Volunteer Development East Lothian

Source: East Lothian Council Community Plan (2006-2016)

Exhibit 10

East Lothian community planning partnership



Source: East Lothian Council Community Plan 2006-2016

does not meet and exists as a virtual partnership with the council's provost as its chairperson.

88. The Community Planning Implementation Group (CPIG), consisting of the key partners, represents the CPP. It was established to provide strategic direction to the partnerships, networks and forums across East Lothian. The chief executive of the council is the

chairperson of the CPIG. The CPIG has developed a partnership agreement outlining the current structure but it generally tends to note reports that are submitted to it rather than providing a lead in driving forward action.

89. The effectiveness of the community planning structure is yet to be demonstrated. Affiliated groups, such as the Community Safety Forum and East Lothian Community Learning

Partnership, and task groups are intended to take forward the main work of the partnership and link to CPIG through a formal reporting structure. The structure includes the chief officers' groups on community care and children's services but does not incorporate the Joint Futures Strategy for community care. The affiliated groups have yet to be tasked with work. These are well established groups that have their own reporting mechanisms and although contained within the revised structure they have yet to demonstrate how they fit with community planning.

90. In 2004, the ELCPP commissioned an independent review of the structures and processes that were in place for community planning in East Lothian. The review highlighted many areas for improvement. In April 2005, actions were incorporated into the council's Quantum Leap Improvement Plan although it is unclear how the specific actions relate to the improvement areas identified by the original review, which included:

- greater involvement by elected members
- clearer shared vision and strategic direction
- more clarity about roles and remit of the partnership steering group
- greater integration of existing partnership working arrangements
- community engagement
- better organisational capacity and resources.

91. When assessed against Audit Scotland's Community Planning Evaluation Framework (*Community Planning: an initial review*, June 2006) ELCPP performs well on one criterion – involving local community organisations in the CPIG. Despite having had community planning structures in place since 1999, the ELCCP remains 'in the early days of development' for the remaining four

criteria (linking of the community plan with the council's own corporate and service plans, agreeing responsibilities for delivering on the core priorities, for allocating adequate financial and staffing resources, and monitoring and reporting against the priorities).

92. The seven partner agencies that responded to our survey consider that the council shows a commitment to community planning, facilitates joint working between agencies and works well with its partners. However, they did not consider that elected members provided effective leadership for the partnership.

93. There is a risk that the community planning vision is not owned by partners. The council included its core partners in the development of its vision and core priorities but it is not clear that the community plan was formally adopted by partners. Some partners feel that the vision reflects that of the council rather than their own organisations. In our survey of community planning partners, only two out of seven partners who responded considered that the 2020 Vision reflected their organisational priorities. This lack of partner endorsement of the vision and the plan itself creates a risk that true joint ownership will not be achieved and that it will not be possible to implement the plan successfully.

94. The Prestonpans Local Services Management Group was set up in 2005 with the aim of establishing local community planning structures. It works with a range of services including health, community development, social work and community organisations. The partnership's aim is to improve services and provide support for young people and families by developing more integrated working at local level. Review of the minutes of the group's meetings suggests a good level of activity and engagement with the initiative. The council plans to roll out this approach to other localities, although there has been no formal evaluation of the approach taken so far.

95. Although there is a range of partnerships working across the council area these could be more effectively coordinated and there is an opportunity for localised community planning structures to assist in this. The ELCPP should build on the success of its affiliated groups such as the community safety partnership and apply the lessons learned from this model to other aspects of the community planning process.

96. The council has reviewed its community planning approach but still has some way to go to show how it will resource and sustain its focus on the core priorities and deliver improvements for local communities. The council has not shown it has the necessary leadership capacity to implement an effective community planning process or the resources to deliver the changes required and this poses potential risks for the future. The lack of clarity about the respective responsibilities and staffing to take these arrangements forward further indicate potential difficulties for the council in sustaining the momentum in taking initiatives and the work of the partnership forward.

Joint working

97. Joint working appears to be more effective at service or department level. Some services demonstrate that they are building strong working relationships and delivering real improvements for their users. In particular, the work carried out by community housing and property management to involve the East Lothian Tenants and Residents Panel (ELTRP) in aspects of the housing service is seen as real partnership working by both parties.

98. The community safety partnership has made a significant impact on the life of local communities ([Exhibit 11](#)). This is a long-standing partnership which has recently been absorbed within the CPP and has informed the area's revised community planning structures.

Exhibit 11

East Lothian Community Safety Partnership

The East Lothian Community Safety Partnership was established in 1997. It includes key partners such as Lothian and Borders Police, Lothian and Borders Fire and Rescue Service, local voluntary organisations such as the Community Councils, East Lothian Voluntary Organisations Network and East Lothian Tenants and Residents Panel. There is also a significant involvement from senior officials of the council including the chief executive and officers from environmental health, transport, landscape and countryside and antisocial behaviour. The council's provost chaired the Community Safety Forum and it was also regularly attended by other elected members.

The partnership looks at how joint working and joint resourcing can improve and progress improvements within local communities. The partnership had a budget of £100,000 in 2005/06 and this allows it to assist local initiatives. These initiatives have included:

- Dump the Dealer leaflet
- Walk to School Week
- 2MOROs Driver
- Carefree Kids
- Home Safety Check Programme
- Community Safety Youth Work Minibus
- Victim Support.

The partnership has in place its own strategy, the East Lothian Community Safety Partnership Strategy 2005-08. A particular aspect of the strategy is its focus on the involvement of voluntary groups in the Community Safety Partnership, and the use of the East Lothian Residents Survey to inform the priorities.

Source: Audit Scotland

99. The council is taking forward its approach to health and social care through the East Lothian Joint Future Partnership. The council is working with the East Lothian Community Health Partnership (CHP) to improve local access to health and associated services. Two elected members and two senior officers from the council sit on the CHP and the minutes of the Joint Futures Executive are reported at cabinet. The council also has service planning groups for community care and children's services which act as an interface between the council, CHP and other partner agencies in jointly planning service delivery in the area.

100. The council has been involved in the redesign of Joint Futures and joint planning structures, to facilitate more effective joint working, with a focus on outcomes for people using health and social care services. The revised joint planning structure was launched in 2006.

101. The council is addressing workforce development with Midlothian and Scottish Borders Councils to tackle difficulties in attracting staff to work in the area by providing better career development opportunities.

Scrutiny

Scrutiny is not carried out effectively at East Lothian Council. The consensual nature of engagement between some elected members and officers does not lend itself to robust scrutiny and challenge. There has been some progress in how the council scrutinises service performance but there is no scrutiny of decision-making or of corporate performance. The respective roles of cabinet and full council need to be clarified. The council's corporate governance PPRP (Audit Committee) does not meet in public.

102. The long-standing relationships between members and officers and the consensual nature of conducting business within the council have limited the effectiveness of scrutiny. The environment has not been conducive to a culture of robust challenge of officers or of service and corporate performance.

103. At the time of our audit, four PPRPs scrutinised the performance of services. Each panel had at least one member from outwith the majority group. The environment PPRP was chaired by a member of the opposition. The corporate governance PPRP is responsible for scrutinising the performance of the council as well as the central departments. It also operates as the council's audit committee. Since May 2007, each PPRP has been chaired by a member of the Opposition.

104. The PPRPs scrutinise departments' performance in a variety of ways – presentations by officers, consideration of reports from officers or members; and consideration of performance information. Performance information is principally in the form of balanced scorecards but these are not afforded a high profile and are considered at the end of agendas. Other performance information includes SPIs, inspectorate reports, and customer survey information.

105. Each PPRP has its own log of future work commitments, which sets out progress of actions arising from previous meetings. These plans are not, however, kept up to date and are limited in their effectiveness.

106. The 2005/06 external auditor's report to members identified the need for the council to continue to develop its scrutiny and ethos of challenge. Following key improvements to the operation of the Panel which include the invitation of the external auditor to meetings of the corporate governance PPRP and increasing the distribution and availability of PPRP papers, the external auditor's view is that the council now generally complies with the guidance note on Audit Committee Principles in Local Authorities in Scotland. However, the corporate governance panel does not meet in public as good practice would dictate and we have described this requirement in more detail in [paragraph 71](#) of this report.

107. In practice, there is little or no scrutiny of the decisions of cabinet. Although minutes of cabinet are submitted to council for approval, these are invariably approved with little or no discussion. There is no formal role identified in the scheme of delegation regarding the scrutiny of decisions, although the corporate governance PPRP has 'transparency of (the) decision-making process' within its remit. The current arrangements do not allow for decisions to be 'called in'. The cabinet considers budget monitoring reports every quarter and PPRPs consider service-based financial information through balanced scorecards.

108. The lack of robust scrutiny has led to decisions involving substantial sums of money being taken with little supporting information and discussion. This includes the decisions around the Musselburgh Race Course and the delegated authority to purchase ex-council houses (£13 million). The council is missing the opportunity to test the robustness of its policy and decision-making processes.

109. PPRPs have improved the way they do business as their members gain in experience and confidence. However, elected members should be better supported in this role, through better quality information and more robust consideration of scorecards.

Performance management

The council has made some progress in putting in place performance management arrangements at service level. However, there is scope for improvement in the implementation of these arrangements. There is a need to develop effective corporate performance management arrangements and the council is developing plans to implement a corporate scorecard to address this.

110. The council put in place its current approach to performance management in September 2003. This is based on a balanced scorecard approach. Scorecards are produced monthly by service managers. The scorecards summarise progress against a number of local indicators taken from the group, unit and business plans including resource and customer information. Information in the scorecards is complex, inconsistent and of variable quality. Scorecards are also limited in their use of outcome information.

111. The scorecards are reported quarterly to the appropriate PPRP. In our survey of elected members, 80 per cent agreed with the statement that 'members receive the information they need to scrutinise performance of services', although evidence from our observations of meetings of PPRPs indicated limited discussion of the scorecards and suggests limited ownership of the scorecards by elected members.

112. There is no systematic consideration of service performance by the CMT. Scorecards are not considered by the CMT or departmental management teams (DMT). They need to be used more

consistently and productively by the CMT, DMT and in PPRPs. The links between business plans and scorecards need to be clearer and more consistent.

113. There is currently no reporting on the progress of key strategies and policies of the council including its corporate objectives, core priorities or the community plan. There is monitoring of the political manifesto and progress reports are prepared for the cabinet and corporate governance PPRP. The council is planning to roll out a new software solution, Aspiren, which prepares electronic balanced scorecards. No detailed plans or strategy for the timing and resourcing of this plan had been formulated at the time of the audit.

114. The council needs to consider its performance management arrangements and ensure that they are robust, comprehensive and integrated. The approach to the balanced scorecards can be further developed by ensuring their consistency and better quality. The council is developing a Corporate Scorecard and this will enhance the current arrangements.

Continuous improvement

The council's approach to competitiveness and continuous improvement is disparate and lacks consistency. There are examples of improvement activity taking place in services; however, the council needs to develop a consistent culture of continuous improvement across the organisation.

115. The council lacks an overarching corporate approach to achieving continuous improvement. It has in place or is developing a number of elements to support continuous improvement such as balanced scorecards, organisational reviews and benchmarking. It also commissioned an IDeA peer review in 2004. It has not, however, articulated how all of these different activities and initiatives aim to work together

to secure improvement, nor are they yet consistently in place. As a consequence, there are examples of good improvement work in some of the services but this is not recognised by staff as part of a coherent corporate approach and there is a lack of awareness about what is happening across services and how this learning could be transferred across the range of the council's activities.

116. The council does not have a consistent culture of continuous improvement. It implemented a trigger-based approach to continuous improvement in 2004 to complement its approach to performance management. The 'trigger' approach is activated by consistently poor SPI measures, budgetary problems, unfavourable external audit or inspection results, low public satisfaction, elected member concerns and new legislation. The council has been unable to articulate how this approach has identified priorities for improvement. In the absence of a corporate programme of improvement, the focus on trigger points suggests a reactive approach rather than one that sees continuous improvement as a guiding principle for all the council's activity.

117. In 2004, the IDeA conducted a peer review of the council, which led to the Quantum Leap Improvement Plan ([Exhibit 12](#)). There is limited evidence that the council has achieved improvements identified in the review as necessary.

118. There are examples of the council responding well to external audit and inspection such as the HMIE inspection of the education function in 2001 and the follow-up in 2003, the Communities Scotland inspection of the housing function in 2004 and the Benefits Fraud Inspection of June 2006. However, in June 2006, Communities Scotland stated that the rate of improvement in addressing recommendations for the homelessness services was not fast enough even though the council

Exhibit 12

IDeA peer review

In 2004, the council invited IDeA to conduct a peer review of the council. The QLIP resulting from the IDeA review was agreed by full council in April 2005, with a subsequent monitoring report in November 2005. Although members requested reports at six monthly intervals, no subsequent member monitoring report has been delivered. An updated QLIP was considered by senior officers in June 2006 to inform the development of the Corporate Improvement Plan included within the council's best value submission.

Findings from the peer review include:

- Be more self aware, develop internal challenge and be less compromising in order to deliver the aspiration to be a top performer. There is huge political and community support for the council and some of that political and goodwill capital needs to be spent in order that the council can realise its full ambitions.
- Extinguish signs of inertia and contentment, while taking care to take people and organisations along.
- Build on relationships with partners, who are ready and willing for the council to demonstrate greater community leadership in order to shine a light on the future of the area and drive change and improvement.

Source: Audit Scotland

has implemented changes in the way the service is being delivered. Key recommendations within annual reports by external auditors are not always acted upon. For example there has been limited progress on a number of improvement areas highlighted in the 2004-05 report on the council's financial strategy.

119. The CMT do not use the mechanisms currently in place, such as the planning framework and balanced scorecards, to discuss and drive improvement activity. Meetings of the CMT lack focus on how improvement activity should be prioritised, coordinated and resourced in response to current council performance.

120. There are examples of improvement activity being taken forward within services. Education and children's departmental management team regularly review progress on measures to improve

integrated working in the service as well as conducting specific reviews on services, such as for children with disabilities and looked after children. The business change programme within community housing and property management includes actions to improve voids, allocations, property maintenance, customer contact and responsive repairs.

121. Organisational (staffing) reviews have been undertaken within services. These were not coordinated with the previous programme of service reviews. Therefore, improvements from a service user perspective have been taken forward independently from the programme identifying improvements in how staff should be organised.

122. The council does not consistently use options appraisal in conducting its business. Proposals for the delivery of education services to looked after children included an option appraisal.

However, no options appraisal was considered as part of the 2003 Customer Services Review and there was limited information to support the five options discussed in the Customer Services Area Office Review.

123. The council is one of the founder members of the local authority ABC Benchmarking group. There are examples of good benchmarking activity, such as housing's use of benchmarking via the Scottish Housing Best Value Network and work on professional fees, and other benchmarking activity in community well-being, children's services, IT & revenue service and transportation. Service plans however, indicate a mixed picture and inconsistent use of benchmarking and comparison activities.

124. The council has made some significant changes to service delivery, for example refurbishing and rebuilding six secondary schools and two community facilities through a PPP programme. More recently the council has agreed to set up a sport and leisure trust. These occurred as responses to other government initiatives rather than being part of a comprehensive review and option appraisal programme.

125. Competition has been limited in services covered by the former Compulsory Competitive Tendering legislation such as building services. However, there are examples of other service areas having been subject to market testing since 2003. [Exhibit 13](#) identifies when council services were last subject to market testing.

126. The council has identified five statutory trading organisations (STOs); Sportplus, Facility Management, Industrial Lets, Property Maintenance and Road Services. In 2005/06, Industrial Lets was the only STO to deliver a surplus. In his 2005/06 annual letter, the external auditor highlighted the risk to the council in being unable to make the breakeven targets over the next two years.

Exhibit 13 Services subject to competition

Contract	Provider	Date last subject to competition
Building services DLO	ELC	1997/98
Street sweeping DSO	ELC	1997/98
Secondary schools cleaning	PPP contract	2003
Home to school transport, taxis and supported bus services	Range of providers	2004/05
Welfare catering	Appetito	2005
Roads	Various	Ongoing

Source: ELC and Audit Scotland

127. The council is making some progress at putting in place arrangements to better demonstrate the competitiveness of its property maintenance function in the future. The property maintenance STO is in the process of adopting the National Schedule of Rates (NSR) in charging for responsive maintenance repairs as part of its business change process. The council aims to use this improvement as an opportunity for greater benchmarking and improvement of the service's performance.

128. Education services HQ, economic development and community well-being have achieved IIP accreditation. The council is committed to rolling out IIP to all council services.

129. The council has identified competitiveness as a key area for improvement including: developing an overarching framework on competitiveness to cover all relevant services and examining opportunities for other models of service delivery – but no improvement actions have been identified for continuous improvement. Although there are mechanisms in place to support the council in taking forward continuous improvement these are not utilised to their full extent or articulated in

priorities for improvement. Without a greater commitment to apply what is in place and challenge itself on performance the council will struggle to develop a culture of continuous improvement.

Management of resources

Finance

The council has effective budgetary control and treasury management arrangements. However, significant weaknesses remain in respect of the council's financial stewardship. It has low levels of reserves, relies on the HRA to fund budget gaps and has no longer term financial strategy. It also needs to be more open and transparent in its budget setting.

130. In recent years East Lothian Council has approved a single year budget for general fund expenditure and three-year budgets for the HRA and Capital Plans. For 2007/08 however, the council has approved only single year budgets across all areas.

131. The budget setting process is largely based on an incremental approach and is not driven by a policy led budgeting approach. Specific areas of growth are driven primarily by member and manifesto priorities

with no clear linkage between the budget setting process, the corporate planning process and the council's 2020 Vision. There is limited discussion of the budget at the CMT. The budget is established through informal discussions between senior officers and elected members. This process should be formalised to improve the openness and transparency of the process.

132. The council does not have a formal financial strategy in place and although work has been undertaken on longer term modelling for the HRA, little progress has been made on a longer term financial plan for the general fund. This makes it difficult to project the longer term implications of previous spending decisions and to demonstrate that anticipated borrowing requirements in support of the capital programme will remain affordable.

133. In recent years the council has relied upon increasing transfers from the HRA to support the general fund. This has been possible primarily due to the low level of debt carried within the HRA. However, as the council has planned significant capital expenditure on its HRA, the ability to make such transfers will diminish as the level of debt increases again. The council will not be able to rely upon the HRA to assist in balancing its general fund budget, as it has done over recent years, without incurring a significant impact on rent levels.

134. At 31 March 2006, the council had useable general fund reserves of £1.5 million. This balance has declined markedly in recent years but is in line with the council's reserves strategy. The 2006/07 budget planned to utilise all unallocated general fund reserves to fund expenditure during the year but this did not prove necessary and the 2007/08 budget now plans to utilise £750,000 of the £1.5 million available. With no plans to rebuild reserves the council is exposed to the risk that it has insufficient funds to respond effectively to emergencies or other unforeseen events in the future.

135. Schools are maintaining high levels of reserves in devolved school budgets. As at March 2006, £1.66 million was held in devolved school management budgets, with one secondary school having £442,000 in reserves. This stresses the importance of a long-term financial strategy for the council in utilising these different corporate revenue sources rather than building up large reserves within individual devolved budgets.

136. Financial monitoring information is provided to members via high-level quarterly financial progress updates. Selected aspects of the financial performance of individual services are reported to the PPRPs through the balanced scorecard framework. The information provided does not provide adequate detail to allow effective scrutiny and challenge.

People

The council has made progress with equal pay and single status negotiations. The council also achieved the Scottish Health at Work Gold Award which is valued by its staff. It has agreed a People Strategy and is putting in place a number of arrangements to better support its staff and their development. However, these are relatively new and it is too soon to assess their effectiveness.

137. The council employed 3,690 FTE in June 2006, and is in the upper quartile (39.6) of all Scottish councils (45.3) for the number of staff per 1,000 head of population.

138. The 2004 IDEA peer report was critical of the council's approach to managing people, describing the personnel function as policy driven rather than delivering a human resources service. Recommendations from the review included the need to strengthen communications with employees and trade unions and improve the implementation of the employee development and review procedure. The council has

subsequently implemented these recommendations.

139. The council has agreed a People Strategy 2006-12. The strategy has four key aims: high achieving leadership and management, building workforce capability, competitive recruitment and retention, and positive employment experience. The council acknowledges that it is too early to assess the impact of this strategy but the existing framework and related workplan set out for the personnel division have potential and are consistent with the aims and planned outcomes contained within the strategy.

140. The council introduced a management competency framework in December 2004 and a programme of 360 degree feedback for chief officers in 2005. The council has supported the implementation of these initiatives with a programme of management development workshops covering each of the eight competency areas. In March 2006, the council held a conference for managers on leadership. It aims to take forward the individual learning and training needs through its Employee Development and Review Scheme (EDR) and its Continuing Professional Development (CPD) arrangements.

141. There is no corporate training strategy. The council delivers a number of corporate training courses including health and safety, induction, personal skills, writing skills, recruitment and IT. These courses are complemented by the provision of additional support facilities including a new employee development suite at Penston House, learning cafes and a developing e-learning service. In addition, some services such as education and children's services and community services are developing their own training plans to address specific skills requirements and have devolved training budgets. The council has recently established a Training and Development group, bringing together representatives from across the

services, but at the time of the audit the focus of this group was still to be articulated.

142. An objective within the People Strategy is competitive recruitment and retention. The council has problems recruiting key professionals in education, social work and building control. The council has attempted to grow its own staff through apprenticeships within certain professions, however, retention has proved problematic and more adequate evaluation of these apprentice schemes is required to identify where improvements may be necessary. Despite competitive recruitment being a core strategic aim of the People's Strategy this has not always been reflected in practice. The recent high profile recruitment process for the chief executive has highlighted this. The public interest report into the departmental reorganisation and voluntary redundancy of the chief executive ([Exhibit 5, page 15](#)) identified that the council would be better placed to demonstrate that the best candidate for the job was appointed if it had invited applications from external candidates and conducted a full selection process.

143. The council introduced an Employee Development and Review (EDR) scheme in September 2003. The focus of the EDR scheme is on setting personal objectives and targets to identify individual learning and development needs. The EDR does not assess the performance of staff or evaluate the competencies of staff. The chief executive has an annual EDR meeting with the council leader and provost, using the council's EDR scheme. This leads to the organisational cascade of EDR, with the chief executive holding meetings with his directors and then cascades from directors through managers to frontline staff.

144. Staff are supportive of the work the council had been doing around well-being and health and safety. The council retained the Scottish

Health at Work (SHAW) Gold Award in September 2006 for wide ranging health and well-being initiatives.

145. The council has not effectively consulted or communicated with staff. The council carried out staff surveys in 1998 and 2002, but no recommendations or action plans were put in place. In 2005, a review of internal and external communication was commissioned. A number of improvement actions were identified and implemented, although our recent work suggests the council still has more to do to improve communication with its staff. More recently, the council has carried out surveys as part of the lIP roll out. The council has put in place team briefings, 'Team Talk', where news is cascaded to staff. The lack of open engagement on recent key policy changes such as ceasing the car lease scheme and removing death in benefit insurance has damaged staff perceptions of the council's commitment to communication. Staff morale was found to be generally good throughout the duration of our audit. However, the council needs to ensure that it regularly consults with staff to seek their views and inform them of key initiatives and changes.

146. The council is committed to taking forward a total remuneration package, including pay and grading and conditions of service, to address equal pay requirements. At October 2006, the Single Status proposal was costed at an annual increase of 7.59 per cent (£4.68 million) on current employee costs, provision for which has been made in the 2007/08 budget. The council dealt with most equal pay compensation payments during 2005/06, totalling £3.1 million. A provision of £2.3 million remains for the remaining equal pay and to cover any additional requirements in relation to single status.

147. The council monitors a number of aspects of employment including grievance cases and has taken an active role in monitoring sickness absence across the council, with

this issue being regularly discussed by CMT. The council had made good progress in reducing sickness absence figures from 5.9 per cent in 2000/01 to 4.7 per cent in 2005/06, resulting from the introduction of a tighter absence policy with clearer triggers on referral to occupational health. Since November 2006 there has been a dip in performance, with the average figure rising to 5.04 per cent.

Asset management

The council has yet to develop a systematic corporate approach to managing its assets. It must ensure that the arrangements for managing common good assets, particularly the land on which Musselburgh Racecourse stands, adhere to good practice principles.

148. As at 31 March 2006, the council's portfolio of tangible fixed assets was valued at over £437 million. The council has two fixed asset registers, one maintained by finance and one maintained by estates. HRA properties are recorded in the Orchard Housing management system. The finance register is primarily an accounting tool which provides a comprehensive record of all the assets to be accounted for on the council's balance sheet, while the council's estates and housing management staff use their registers to maintain more detailed records of the council's land and buildings.

149. The spread of data across multiple systems and variations in the data recorded means that the council does not have a comprehensive database capable of supporting the effective full life-cycle management of its assets and is unable to demonstrate that it has an appropriate asset base to support best value in the delivery of services.

150. To date, piecemeal progress has been made by some individual services towards the introduction of asset management plans, for instance the work on the management of the council's

school estate, and the council has recognised the need to develop a corporate approach to asset management. However, progress has been slower than planned and there is still considerable work to do before a corporate asset management strategy can be drawn up and implemented.

151. The council prepares a three-year rolling capital investment plan to determine its investment in assets and infrastructure. The 2006-08 capital investment plan anticipates expenditure in excess of £40 million in each of the three years it covers. The plan is not, however, supported by a robust project prioritisation methodology to ensure that expenditure is targeted at achieving the council's core priorities.

152. East Lothian Council manages four common good accounts. These were inherited from the Burghs of Dunbar, Haddington, Musselburgh and North Berwick. The common good fund accounts for 2005/06 showed a fund balance of £1.8 million. The fund balance sheet of 2005/06 showed net assets of £9.35 million. This includes a temporary loan of £1.6 million to East Lothian Council. Musselburgh is the biggest fund and includes the land on which Musselburgh racecourse stands ([Exhibit 14](#)).

153. The Audit Scotland report *Following the Public Pound* sets out principles for Arms Length External Organisations including funding, governance and management arrangements. The arrangements in place for Musselburgh racecourse have not adhered to these principles. There is limited evidence of reporting to council on any aspect of the racecourse and there has been no reporting to council on the performance of the racecourse. The council's decision in principle to facilitate a loan to the Joint Racing Committee has the potential to rise to £11 million. There was no business plan to substantiate this decision and the council is 100 per cent liable. The local auditor will keep this issue under review.

Exhibit 14

Musselburgh Racecourse

Musselburgh Racecourse was established on common good land in 1895. Until 1992 it was run as a private entity. The company responsible for it faced financial difficulties and East Lothian Council took over the running of the racecourse. The racecourse leases land from the common good fund and until 2006 paid rental of £5,000 per annum. This has recently been reviewed to reflect the market value of the land and is now £14,000 per annum.

A Joint Racing Committee (JRC) was established in 1994 between East Lothian District Council and the Lothian Racing Syndicate Ltd. The committee consists of seven nominees, four from the council and three from the syndicate. The provost is the chair of the JRC. The JRC is not a committee of the council.

The council administers the financial arrangements for the racecourse. This includes acting as a bank through the council's loans fund. There is no service level agreement in place for this arrangement although the council recharges its services for the racecourse. The council has currently loaned the company £1.6 million. The annual accounts for the racecourse were first included in the East Lothian group accounts 2005/06. The 2004 and 2005 racecourse annual accounts were signed in April 2007, following a request by the council's external auditor.

In 2005, the JRC considered enhancing the facility by developing an all weather facility. It was thought that this would have the potential to attract significant funding through increased television rights. The planning application for this venture generated a number of objections from the local community.

The governance arrangements for the JRC were amended to a Limited Company in 2006. The intention is that the company will be 100 per cent owned by the council. The council agreed to loan in principle such sums as required to help with the racecourse's future plans. When the company was formed the council appointed all four of its existing representatives to the board despite knowing that three of these individuals intended to stand down in May 2007. At the election the fourth representative lost his seat. Following the May 2007 elections the new council appointed four new individuals to the board of the Limited Company. However, at September 2007 the company had still not been activated although this is now being addressed by the council.

A report to the cabinet meeting of 29 May 2007 recommended that the council 'await the outcome of the results of the public inquiry while addressing the need for a plan for the Racecourse if the all-weather track does not go ahead'. In August 2007 the planning application was rejected. The Racecourse Board are now preparing a draft Business Plan.

Source: Audit Scotland

154. The council should reconsider the principles set out in the *Following Public Pound* report and ensure the required systems and processes are adhered to. The racecourse has the potential to become a significant investment and the council must as a matter of urgency carry out a risk assessment, identifying and evaluating the significant risks including financial loss, service failure and reputation to the council.

Risk

The council had started to develop a risk management strategy but it stalled when the risk manager left the council in 2006. The council has much to do to develop this and to ensure that robust processes are embedded throughout all aspects of its operation.

155. To ensure effective corporate governance the council needs an awareness of the risks it faces and to have an effective strategy for managing those risks. The council does not yet have a corporate risk management strategy.

156. The council has begun to compile and roll out risk registers for individual services and business units. This process was led by the council's risk manager who led training and produced written guidelines for all service managers. The risk manager left in December 2006 and at present the council has no plans to recruit a replacement.

157. The risk registers are not yet fully embedded in the business planning process and more work needs to be done to ensure that business and service plans adequately identify all key risks.

158. The council has not yet developed a corporate risk register and is therefore unable to demonstrate that it has appropriately identified and is aware of all the high-level risks to the achievement of its core priorities, and how it intends to manage those risks.

159. The council has recently started presenting departmental risk registers to the corporate governance PPRP. However, the PPRP does not routinely include the scrutiny and monitoring of risk registers on its agenda. The council also plans to implement a new health and safety management information system which it aims will contribute to managing risk in the council.

Procurement

The council is implementing significant improvements in its procurement practices. It is now beginning to realise the benefits of its efforts. In order to maintain the momentum stronger support is needed from members and senior officers.

160. The council has a centralised team of trained procurement staff and a Corporate Procurement Strategy 2004-07 was approved by members in February 2004. A Corporate Procurement Policies document was issued to staff in May 2005. The centralisation of the procurement function has allowed the council to rationalise the number of suppliers it deals with through the arrangement of corporate contracts for goods and services. Such contracts allow the council to benefit from cash savings through bulk purchase arrangements and better quality control through clearer specification.

161. The council has implemented the Scottish Executive's PECOS e-procurement system and over 30 per cent of all orders are now processed electronically. At present there are no arrangements planned or in place to identify and monitor the level of efficiency savings achieved. Purchasing staff are working with suppliers to further enhance the benefits of e-procurement through the use of e-invoicing, self billing and the 'card-plus', which will allow a web based capture of transactions which can be directly downloaded into the Great Plains financial ledger system.

162. The council has adopted a successful approach to infrastructure improvement in its use of e-auction to secure competitive prices in the purchase of equipment. E-auctions bring suppliers together to compete to offer the best deal – the council saved £200,000 in the first e-auction.

163. The council also recognises that it has more work to do in developing a procurement function which fully supports best value and has plans to introduce a sustainable procurement strategy, integrate PECOS with other software systems and investigate further opportunities for working with other local authorities.

164. Although the Procurement Strategy 2004-07 was approved by council and endorsed by the council leader; members and the CMT have not been informed of the progress made and the benefits being realised. The process would benefit from more proactive support at senior level to embed it fully within the council's arrangements. The council plans to report on progress during 2007.

ICT

The council agreed a corporate ICT strategy at the end of May 2007 and the e-business framework sets out an ambitious vision focused on transforming service delivery. The lack of formal corporate strategies for business change and improvement or shared services and efficient government make it difficult to link this vision or the new ICT strategy with practice or corporate priorities. The service has not implemented all of its new IT systems effectively. The council has had some success in its use of ICT, particularly for young people.

165. Since 2002, the council's approach to ICT developments has been taken forward through an e-business framework. This covers infrastructure maintenance and improvement, the corporate website and the wider e-business agenda. A Programme Board was established

to oversee the direction of this programme and monitor progress reports submitted to it. The e-business framework stressed that electronic service delivery is not primarily about technology, but rather about the chance to transform service delivery, quality and efficiency.

166. Progress reports to the Programme Board do not give a sense of how service delivery has been transformed, rather the programme seems focused on the implementation of IT solutions. In particular, there is no strategic plan for how the contact centre will develop to bring more services into a single point of contact. The lack of formal strategies for shared services, efficient government or a corporate business change programme means there is no sense of how this programme helps facilitate these wider strategic agendas.

167. Several new initiatives have been brought in for young people including electronic pupil registration and a young person's entitlement card. The six secondary schools have morning electronic pupil registration in place, with plans to develop further into lesson-by-lesson registration. Young person's entitlement cards are now being used for cashless catering, libraries and travel. All schools have broadband capacity and a project is under way to upgrade and enhance the schools wide area network with more powerful capability and connect them to the corporate network. The 2006 SOCITM report identified that East Lothian was the only Scottish authority, and one in only five UK authorities, to enable online payment of school meals.

168. There have been recent issues with the implementation of IT solutions; telephony systems in the call centre crashed; shallow integration of the CRM system and housing repair systems have led to problems with customers being kept waiting on calls longer; and failure to purchase a reporting tool with the CRM system. Feedback from staff

consulted for this audit suggested better planning and the involvement of staff piloting new software would lead to smoother implementation.

169. The council has invested in ICT training and the development of a new e-learning approach. LearnNet, East Lothian's e-learning website, provides access to over 100 online courses in areas such as personal development, health and safety, project management and information technology. The council also operates three learning cafes based at John Muir House, Brunton Hall and the Macmerry Corporate Learning Centre. These provide a mix of learning resources including books, videos, CDs and Internet access.

170. At the time of the audit, the council was developing an ICT strategy, setting out direction for 2007 to 2010. This was subsequently adopted by cabinet at the end of May 2007. The strategy states that all major projects will fall under the management of the Programme Board and all new software must be compatible with key systems already in place. A more corporate approach to prioritising and resourcing ICT projects was recently introduced through the capital planning process. The strategy does not clearly link ICT to the council's strategies for business change and improvement or shared services and efficient government. It is important the council ensures these new measures in place support smoother implementation of software developments and that monitoring arrangements extend to consider the wider aspects of transforming service delivery.

Efficient Government

The council has not yet developed a corporate standard for classifying, calculating and monitoring the efficiencies it achieves.

171. In setting its budgets for 2006/07 and 2007/08, as in previous years, the council applied assumed efficiency levels to all services on a common percentage. The 2007/08 budget also included specific efficiency savings of £4.21 million to be achieved, plus further efficiency savings estimated at £381,000 over a five-year period from a departmental restructuring.

172. The council does not have a coordinated approach to support effective planning and monitoring of the level of efficiencies achieved. The achievement of the assumed efficiency levels has been delegated to individual service managers and the council has not disseminated clear guidance on how to classify and calculate proposed efficiency gains.

173. Achieving savings of the magnitude proposed will present the council with a considerable challenge. There is a clear need to be able to demonstrate that planned efficiencies are achieved without impacting on service provision. The council does not have a comprehensive performance management information system capable of confirming maintenance or improvement of service quality and tracking savings to ensure that they are appropriately redeployed.

174. The council has a number of Modernising Government initiatives under way which are aimed at improving services, such as the smartcard project and customer relationship management (citizens' account) project. These projects have been costed and their benefits to users identified and the council reports the cost or time saving efficiencies which may arise in its Customer First Programme monitoring statements, which are submitted to the Improvement Service (IS) and subsequently

published on the IS website. It has not sought to ensure the sustainability of these projects after the initial period of external funding support has expired.

175. The council has made progress against the five key areas identified in Scottish Executive's Efficient Government report *Building a Better Scotland*, in particular, procurement and managing absence where sickness absence levels are now generally below the national average and the council holds a gold award under the Scotland's Health at Work scheme.

Equal opportunities

The council has made limited progress with equalities although there has been a recent acceleration in activity. Stronger and more strategic leadership must be developed to help sustain this work.

176. The council does not provide strong leadership in terms of equal opportunities. There is no designated elected member or director with responsibility for equalities and although equalities is included in the remit of the CMT and PPRPs, specific equalities issues are seldom included on the agendas. The council has set out its commitment to equalities in its Equal Opportunities Policy. It also identifies addressing inequality within the local community as one of its corporate objectives.

177. Following the appointment of a full-time equalities officer (October 2006), there has been an acceleration in the pace of the council's approach:

- An equality impact assessment toolkit was introduced and initial assessment carried out in early 2007. Training for staff is to be rolled out and services are to prioritise areas for a programme of assessments.
- In December 2006, the council introduced a requirement

for groups to have an Equal Opportunities policy in place before being granted discretionary rates relief.

- An updated and more comprehensive Equalities Monitoring Employment report was produced in January 2007.
- The first edition of a monthly *Equalities* newsletter was issued to all staff via email alert and to all managers directly. This will raise awareness among all staff and promotes dissemination of good practice.

178. The council is aware of its shifting demographics and the impact it has on service design and delivery. In 2005, the council, together with NHS Lothian, commissioned a report which identified 265 people from South Asian communities living in East Lothian and highlighted some of the problems they had accessing services.

179. The first corporate analysis of employee information was reported to the Equal Opportunities Subcommittee in March 2006. This showed that the council's percentage of Black Minority and Ethnic (BME) employees (0.7 per cent) reflected that of the overall population of East Lothian. The council has limited data on the proportion of the population with disabilities (disability was not included in the 2001 census). An action to research comparative data is included in the Employment Monitoring and Reporting Action Plan for 2007/08.

180. The council's information gathering systems have in the past caused difficulties in meeting its legal duties with respect to the Race Relations Act. It had been unable to report on some elements of training, on grievance cases and on disciplinary cases. This has been addressed and a monitoring report published. However, as the council does not have a performance appraisal scheme, it cannot report on performance assessment.

181. The council has 39.7 per cent of women in the highest paid two per cent of employees compared with a Scottish average of 31.7 per cent. There has been a steady year-on-year improvement in this indicator. It performs slightly below average for the percentage of women in the top five per cent of employees (East Lothian 36.6 per cent, Scottish average 38.0 per cent) and this follows a declining year-on-year trend.

182. Training for staff is delivered corporately through a range of courses and is now focused on equality impact assessment training which is being rolled out to all departments. Equalities training is covered on the council's recruitment and selection courses and within the Management Development Framework. These along with specific courses on equality issues such as disability awareness, equalities and diversity workshops and race awareness contribute to the council's activities in fulfilling its statutory duties.

183. The council identified in 2005/06 that 63.5 per cent of its buildings were accessible to people with disabilities. This is above the Scottish average of 43.4 per cent.

184. In 2005, the council was awarded the 'Positive about disabled people' two ticks symbol. This award is given by Job Centre Plus to organisations that have shown good practice in employing disabled people. The council has to make five commitments regarding the recruitment, retention and career development of disabled employees.

185. The council's website has a good approach to accessibility. It is constructed with accessibility in mind and includes offers of different formats and languages. It also highlights the interpretation and signing service and seeks enquiries and comment.

Sustainable development

The council does not have a strategic approach to sustainable development and sustainable development principles are not embedded in the council's activities.

186. Corporate responsibility for sustainability lies with the director of environment services. There is also an elected member with responsibility for sustainable development issues. However, at the time of our audit, the council had no dedicated officers or network with responsibility for promoting sustainable development. The first meeting of the corporate environmental strategy group was subsequently held at the start of May 2007 but it is too early to assess the appropriateness of the remit or the impact of this group's activity.

187. The council has been working to the Environment Strategy 2002-05 which included strands of work addressing the social and economic aspects of sustainable development in addition to the more environmental. However, there was no formal central monitoring and reporting of the actions to deliver the strategy on a corporate coordinated basis. Reporting on individual strands was done through relevant departments.

188. Departments can identify a range of sustainability activity covering environmental, social and economic aspects such as the development of the Core Paths Plan; extensive consultation with local people to promote sustainable housing and sustainable communities, and promoting local purchasing by local people and tourists through food and drink initiatives such as the East Lothian Food and Drink Festival.

189. The council has a Biodiversity Action Plan. Progress on activity was last reported in June 2005. Initiatives targeted the three objectives of involving the community, action on priority species and habitats, and raising awareness. Of the 13 tasks identified in the Plan, ten were achieved.

190. The council has recently adopted a draft Sustainable Development Statement. This is a high-level document which sets out explicit links to the national context, community planning, corporate priorities and clearly demonstrates the three strand approach to sustainability. The Environmental Strategy 2007-09 and accompanying action plan, also in draft at the time of the audit, sets out in more detail how the council will address sustainability issues including transport, the economy and the built environment.

191. Both draft documents were under public consultation at the time of the audit. Concurrent with the consultation, the council was undertaking a strategic environmental assessment of the new Environment Strategy. This is the first time such an assessment has been made of a council policy and the result was due to be reported to the new council following the election in May.

192. The council has only single issue indicators to measure progress with the sustainable development agenda, eg SPIs or ones related to air quality. The development of a set of sustainability indicators was included in the plans for the Sustainable Development Forum but as this no longer functions they have not been delivered.

193. The council's procurement policy includes a chapter on environmental and sustainability considerations. However, a comprehensive Sustainable Procurement Strategy is currently in draft and will be incorporated into a revised Corporate Procurement Strategy and Policies later this year. The council has already begun to build sustainability into its procurement decisions. For example sustainability has been used as an evaluation criterion for play area design and build.

Part 3. How are services performing?



East Lothian Council's service performance is mixed. Education performs well with good attainment levels and a high level of school occupancy. Criminal justice and community care have also shown good performance. Other services such as homelessness, continue to perform poorly. The council's rate of improvement in SPI's in 2005/06 is around the Scottish average. The council has continued to develop its approach to customer care and this should be extended across all services.

Statutory performance indicators

194. Each year local authorities are required to report and publish information about their performance. This is done through SPIs. Audit Scotland collates the information received from all councils and publishes on its website a compendium of all SPIs and council profiles. The council profiles contain 78 measures taken from the SPIs. While these do not give a comprehensive picture of performance across all services, they do allow some comparisons to be made between councils and over time.

Service performance

195. Exhibit 15 sets out East Lothian Council's 2005/06 profile. The council had 19 indicators in the upper quartile and 16 in the lower quartile. This is around the Scottish average.

196. East Lothian has seven indicators for which it ranks in the top three councils including five for which it ranks first. These indicators are:

- Respite care – the percentage of daytime respite not in a day centre aged 65+ (rank 1).
- Respite care – the percentage of daytime respite not in a day centre aged 18-64 (rank 1).
- Primary schools – the percentage of schools in which the ratio of pupils to available places is

Exhibit 15

Council profile of SPIs 2005/06: Number in each quartile by service area

	Upper quartile	Middle quartiles	Lower quartile
Education & Children	4	4	2
Adult Social Work	5	10	5
Housing	0	6	2
Culture and Community	1	5	2
Development services	2	0	0
Protective services	2	2	1
Roads and lighting	2	2	0
Waste management	0	4	1
Benefits administration	0	3	0
Corporate management	3	4	3
Public access	0	1	0
Total	19	41	16
Scottish average	20	42	16

Note: In 2005/06 there is one 'no service' (the percentage of care staff who are qualified working in care homes for other adults) and one 'failure to report' (the percentage of premises in high and medium-risk inspection level that were inspected on time) reported for East Lothian Council.

Source: Audit Scotland

between 61 per cent and 100 per cent (rank 2).

- Secondary schools – the percentage of schools in which the ratio of pupils to available places is between 61 per cent and 100 per cent (rank 1).
- Equal opportunities policy – the percentage of highest paid two per cent of earners among council employees that are women (rank 2).
- Noise complaints – the percentage of cases settled on first contact that were dealt with on day of receipt (rank 1).
- Consumer complaints – the percentage of complaints processed within 14 days of receipt (rank 1).

197. Of the 16 indicators in the bottom quartile in 2005/06, five of these were also in the bottom quartile in 2004/05:

- Number of litigation claims per 10,000 population.
- Percentage of homelessness cases reassessed as homeless or potentially homeless within 12 months.
- Percentage of residential care places occupied by older people that are in single rooms.
- Percentage of residential care places occupied by older people that have en-suite facilities.
- Percentage of the national target met for replenishing library lending stock for adults.

198. Since 2003/04, 19 measures have improved by five per cent or more and 14 measures have declined by five per cent or more (Exhibit 16). This 1.36 ratio of improvement to decline is slightly below the Scottish average of 1.41 and ranks East Lothian equal 17th in Scotland.

199. The SPIs which relate to benefits and financial management suggest a mixed picture of performance. At £11.95 the council's cost of collecting council tax has reduced slightly from 2004/05 and is below the national average of £13.62. Collection levels also compare well with the national average over the past three years. The percentage of council tax collected has improved and at 96.1 per cent is above the national average of 94.2 per cent. The collection rate for non-domestic rates is 95.1 per cent in comparison with the Scottish average of 96.4 per cent.

200. The proportion of invoices paid within the target period of 30 days is significantly below the Scottish average of 85.1 per cent at 72.7 per cent. This is also a significant drop from the previous year, when the level was 86.1 per cent. The corporate finance section has had to deal with some major changes in IT systems which have impacted on performance.

201. In 2005/06, the council administered £20.9 million in benefits. The council was subject to two Benefit Fraud Inspectorate (BFI) inspections (1999 and 2001) which were critical of delays in processing new and renewal claims. This resulted in the Department of Works and Pensions (DWP) issuing statutory directions requiring East Lothian to improve processing times for claims for housing and council tax benefit for the period June 2002 to May 2004. In 2005/06, SPI performance for processing new claims (34.3 days) is below the national average (31.7 days). However, the 2005/06 performance for changes of circumstances (4.6 days) is above the national average (14.5 days). The service successfully led a DWP national performance

Exhibit 16

SPIs: Performance change between 2003/04 and 2005/06

	Measures that worsened by			Measures that improved by		
	>15%	10-14%	5-9%	5-9%	10-14%	>15%
Scotland	7	3	3	3	3	12
East Lothian	6	2	6	1	2	16

Source: East Lothian Council

management framework pilot project which is now being rolled out nationally (Exhibit 17).

Customer services

The council does not have a strategic overview of customer services. While it has made some progress it needs to increase the pace of development and consolidate its approach.

202. The council delivers customer service in a variety of ways: through a contact centre; a local access point in the Brunton Hall in Musselburgh; John Muir House; Haddington council headquarters; and local area offices in Tranent, North Berwick, Prestonpans and Dunbar.

203. The council reviewed customer services and registration services in 2003 and this resulted in the setting up of a customer services team in 2004. The council has developed a Customer Contact Strategy and a set of comprehensive Customer Care Service Standards informed by the National Customer Care Competencies Framework, but both of these have yet to be agreed. However, frontline staff have recently attended customer care workshops and have been made aware of the standards.

204. The council established a Contact Centre in October 2005. This deals with calls about council housing repairs, community alarms and antisocial behaviour. The team

also provides CCTV monitoring for town centre CCTV systems. The main council switchboard remains located at John Muir House, Haddington. The council has yet to rationalise its telephone numbers and callers to the contact centre can be charged at different rates.

205. The Contact Centre uses a CRM System. However, the CRM is not fully integrated with the housing system (shallow integration option discussed in paragraph 168) and this leads to staff having to input into two systems. At the time of our audit, there was also no reporting mechanism to allow the council to determine the impact that this system is having on the provision of customer service.

206. Although the council has mapped out its intentions for providing customer services there has been a lack of strategic overview in the planning and delivery of projects related to customer service. This highlights the potential lack of expertise and capability within the council to deliver on major projects.

207. Despite the council's attempt to move towards a more consolidated and joined-up approach to customer services, there is still an issue with individual service departments such as community support developing its own access point outwith the services provided by customer services. This could prove confusing for customers.

Exhibit 17**Housing and council tax benefits administration: National Performance Management Framework**

The council took the lead role in a consortium of ten Scottish local authorities in the National Performance Management Framework (NPMF) pilot project.

The NPMF is designed to improve housing and council tax benefit administration. It is a balanced scorecard of measures developed for local authorities around the structure of the performance standards developed by the DWP. Its purpose is to reduce the burden on staff engaged in collecting data on measures which do not drive performance, achieve consistent reporting on performance measures and allow for greater self-service reporting.

Councils have developed the NPMF using funding from the DWP performance standards fund. The software provides:

- process views
- scorecards
- measure update facilities
- dashboards including the ability to capture commentary reports
- benchmarking, geographical league tables, online discussion forums and knowledge sharing tools
- data quality tool
- management of improvement initiatives.

The council states that the NPMF has dramatically improved the quality of performance information available and will significantly reduce the amount of resources required for statistical reporting. The hosted benchmarking facility has allowed the sharing of best practice with all other participating authorities in real time.

As a result of the success of the pilot project, DWP is funding free roll-out of the NPMF to all councils, to be completed by April 2007.

Source: DWP/ East Lothian Council

responsibilities was required to address this.

210. The Integrated Children's Service Plan (ICSP) 2005-08 is the key strategy document for the service. The ICSP is produced by the chief officer's group for children's services, the key partnership group for children's services with representation from the police, health, council, children's reporter and voluntary sector.

211. The HMIE inspection of the education function in 2001 identified seven of the 11 quality indicators to be good with four being judged as fair: effectiveness of leadership and management; policy development; mechanisms for consultation and measuring; monitoring and evaluating performance. In total there were seven main points for action. The follow-up report in 2003 identified that good or very good progress had been made against each of these.

212. A joint inspection of services to protect children and young people was reported in 2007. Of the 18 quality indicators 12 were judged to be either very good or good, four were judged as adequate and the remaining two were judged as weak: participation of children, families and others in policy development; and effectiveness of planning to meet needs. The council has prepared an action plan in response to the findings.

213. Of the ten SPIs for education and children's services the council is in the top quartile for four – primary and secondary school occupancy, staff qualifications in residential homes and total daytime respite hours provided for children. The council has improved performance in two further SPIs.

214. The 5-14 attainment levels for S2 pupils attaining or exceeding level E is above the Scottish average ([Exhibit 18, overleaf](#)).

Education and children's services

Education is making good progress in attainment and school estate management. Progress is also being made with child protection although increasing numbers of cases present a challenge for the future.

208. Education and children's services were brought together under a single director in 2003. They deliver an integrated service including support to children, families and young people, education, support for learning, school transport and school-based facilities management. The budget for 2007/08

is £85 million. The council runs 35 primary schools, six secondary schools and five nursery schools.

209. The service is committed to improvement activity. The Management Team has been monitoring progress in developing a more integrated service through improving linkages between key staff, based on clusters around the secondary schools. Although progress has been made in this area, staff consulted during this audit still felt there was a lack of cohesiveness across the whole service and that greater clarity in staff roles and

215. The attainment of secondary school pupils is also above the Scottish average (Exhibit 19).

216. There has been a reduction in the number of young people who offend; from 236 in 2004 to 215 in 2005, an outcome measure for the work of the youth justice team. This has been facilitated through joint funding for key posts to facilitate a more integrated service and a coherent programme of intervention taken forward with partners and from early intervention and preventative work to dealing with repeat offenders.

217. The establishment of the child protection team was accompanied by an initial reduction in the numbers of children on the Child Protection Register. However, figures for 2005/06 show the number of children on the child protection register has risen by 63 per cent and the number of referrals for child protection has risen by 110 per cent since 2004/05. The joint inspection of services to protect children and young people highlighted recent improvements in systems and practice, including the management of child protection cases and effective inter-agency response, but identified weaknesses in the assessment of longer term needs and risks.

218. Statistics from 1999 to 2006 show the council has accommodated more children in community placements than in residential accommodation and there has been a noticeable increase in foster care placements of 50 per cent. An internal evaluation of the family support team concluded that their intervention enabled 86 per cent of the young people worked with to remain in their placements. The educational attainment of looked after children is also better than the Scottish average. The percentage of looked after children awarded maths and English at SCQF level 3 or above, has risen to 59 per cent in 2005/06, an increase of 19 per cent.

Exhibit 18

5-14 attainment 2003/04 (S2 pupils attaining or exceeding level E)

Attainment	East Lothian Council	Scottish average
Reading	70.1	64.5
Writing	62.6	52.1
Mathematics	62.0	59.5

Source: Scottish Executive

Exhibit 19

Secondary school attainment 2005/06

Attainment	East Lothian Council	Scottish average
Percentage of S4 roll gaining 5+ awards at level 5 or better by end of S4	40	34
Percentage of S4 roll gaining 3+ awards at level 6 or better by end of S5	25	21
Percentage of S4 roll gaining 5+ awards at level 6 or better by end of S6	21	19

Source: Scottish Executive

219. East Lothian has refurbished its six secondary schools estate through a PPP programme and the improvement programme for the remaining 35 primary and five nursery schools is contained within the schools estate management plan. The PPP scheme included the building of a new community learning centre in Musselburgh and a swimming pool in Prestonpans. The council is performing well in terms of occupancy of schools. Only three primary schools are under capacity, and at 8.6 per cent this is significantly under the Scottish average of 35 per cent. No secondary schools are categorised as under capacity.

220. The service is aware of the challenges demographic changes pose to the schools service. Primary school rolls are predicted to increase by 1,806 (23.56 per cent) from 7,664 to 9,470 pupils from 2005 to 2015. Secondary school rolls are predicted to increase by 1,119 (20.64

per cent) from 5,809 to 7,008 pupils over the same period. This has led to the prioritisation of six new primary schools to be built, two new 'support for learning' facilities and improvements or extensions to the remaining primary schools. However, the schools estate management plan does not give specific timescales for the delivery of this programme or detail about increased capacity.

221. The council is financing proposals in the schools estate management plan through a mixture of Scottish Executive funding, prudential borrowing and developer contributions. The council has been active in securing developer contributions from house building in the area. It tracks income received and income forecast on a continual basis throughout the year. The total amount of developer contributions to help fund new schools has been calculated as £60 million by 2015.

Community services

Community services has mixed service performance.

222. Community services was formed following a management restructure in 2003. The service comprises three operational groups: community support that includes community care and criminal justice; community well-being and community housing and property management. The total budget for the department is £56.5 million.

223. Performance in terms of the SPIs is mixed across the three divisions. Overall across community services there are six in the upper quartile, 21 in the middle quartiles and nine in the lower quartiles.

Community support

The service faces challenges in terms of an increasing elderly population. The service is making steady progress with its partners on Joint Futures and has received praise from SWIA for its risk-based approach to violent offenders. The service does not have an up-to-date community care plan in place.

224. The majority of the community support service's indicators are in the middle quartiles; however, five are in the lower quartile. Of the five indicators in the bottom quartile in 2005/06, two of these were also in the bottom quartile in 2004/05. Privacy for older people in residential places compares less well with most councils, with the performance for occupied places in single rooms and with en-suite facilities for this client group in the lower quartile.

225. This service has an increasing elderly population. Between 2001 and 2005 the population of East Lothian saw a rise of 5.7 per cent in the number of people aged 65 and over. This is predicted to increase at a greater rate than the general population to 2024.

226. The council is undertaking a number of pieces of work to produce a Joint Older People's Strategy for East Lothian. The Joint Improvement Team, from the Scottish Executive, is supporting this work and has been working with the council since autumn 2006.

227. The Scottish Executive found that the East Lothian Joint Future Partnership was making 'steady progress' overall. However, it considered that joint service plans were in the early planning stages.

228. The council has redesigned its assessment and care management services to provide faster and more responsive access to health and social care services. The new community care access service became operational in April 2006 and provides a single point of contact.

229. The council is part of the consortium of Lothian and Borders Criminal Justice services which was inspected by SWIA in 2005. The consortium received an overall satisfactory rating and its risk approach for violent offenders was identified as an area of good practice. East Lothian's criminal justice service was assessed within the consortium as being the strongest overall in relation to the management of offenders' compliance and community service practice in relation to health and safety matters.

230. The main strategic document for Community Support is the Community Care Plan. The most current is dated 2001-04. The creation of the East Lothian CHP will allow a joint health and community care plan to be produced. The plan is due to be produced in 2007.

Community housing and property management

The service faces considerable challenges to deliver affordable housing. It received a fair Communities Scotland assessment for its housing management service and a poor assessment for its homelessness service. The service is making good progress with reducing arrears and achieving housing targets and quality repairs. It is implementing a business change programme to help it tackle areas which need to improve. However, this is having little impact on homelessness services.

231. The council is East Lothian's largest social landlord with a stock of 8,270 properties, and a budget of around £27 million. An inspection by Communities Scotland in 2004/05 of the council's housing management and homelessness service gave a 'fair' rating for housing management and property maintenance and a 'poor' assessment of its homelessness service. The council developed an improvement plan to address the areas for improvement and will be subject to a follow-up inspection of its homelessness service in 2007/08. A separate assessment by Communities Scotland of the council's Local Housing Strategy produced a very good rating.

232. Community housing and property management performs reasonably well in terms of the SPIs: rent loss due to empty or un-let houses at 1.20 per cent is lower than the Scottish average of 2.29 per cent, the average time to relet houses of 51 days compares well to the national average of 64. A review of the void management process and the introduction of the void management policy has provided an improved customer focus and gives real clarity. Current tenant arrears are six per cent of the net amount of rent due in the year, compared to the national average of seven per cent. However, the average for the comparative group is 5.3 per cent. The council has

reduced overall arrears for several years in succession.

233. The council's performance remains poor in relation to homelessness, and places it within the lowest quartile among all Scottish authorities. There has been a significant increase in the number of households applying as homeless or potentially homeless from 497 in 2004/05 to 650 in 2005/06. The average time between presentation and completion of the duty by the council has increased from 12 weeks in 2004/05 to 25.8 weeks in 2005/06, and is significantly above the national average of 16.5 weeks. The council's performance is poor in terms of having 32.7 per cent of cases reassessed as homeless or potentially homeless within 12 months of the previous case being completed (repeat homeless presentations) compared to the previous year's figure of 17.7 per cent and the Scottish average of 7.9 per cent.

234. Since the inspection in 2003/04, Community Housing and Property Management (CHPM) has introduced a large-scale Business Change Programme. All major activities in CHPM have been reviewed and given a direct response to identified service failures. This has shown the service has taken a strategic and managed approach to a significant change programme.

235. The division has a key role in taking forward the council's core priority of providing affordable housing which is also one of its major challenges. The council has established an Affordable Housing Group made up of representatives from council services, local housing associations and voluntary groups such as the East Lothian Association of Community Councils and East Lothian Tenants and Residents Panel. The group has a remit that includes:

- The implementation of the Local Housing Strategy (LHS) affordable housing objective of providing 2750 new affordable housing units by 2013.
- Monitoring of the relevant sections of the LHS Action Plan via a monitoring and evaluation framework.
- Development of an East Lothian Housing Standard for new affordable housing.
- Identifying opportunities for affordable housing provision.
- Identifying best practice in delivery of affordable housing.

236. Overall the delivery of new affordable housing units although increasing, is under half the target set for this stage of LHS implementation. The council has developed an action plan to address this shortfall. The action plan includes applying a 25 per cent affordable housing contribution to developers for all new housing sites of five or more properties, the introduction of the council new build programme, and additional rented stock being acquired through buy backs of former right to buy properties and the Mortgage to Rent Scheme.

237. The council agreed in December 2004 to delegate to the director of community services the authority for the buy back of houses on the open market to add to the council's stock of houses for affordable rent. The report approved by Cabinet had insufficient information to support this decision. It did not contain any financial information, an option appraisal or risk assessment. By March 2007 the council had spent £13 million on the buy back of 112 ex-local authority housing previously sold under the right to buy. The council cannot demonstrate that this course of action represents value for money or deals with the ongoing difficulties in addressing homelessness problems in East Lothian.

238. The repairs service has improved its performance with the percentage of all repairs to be completed within target increasing from 93.9 to 94.2 per cent in 2005/06. The service has received positive customer feedback on the quality of repairs and has been working to deliver further improvement through the implementation of a new performance-related pay scheme and dedicated resource team.

Community well-being

The service has received good outcomes from its two Community Learning and Development inspections and has recently been reaccredited with iIP. It has also used effective partnership working to improve its cleanliness rating for the area. Some improvements are needed in the use of indoor leisure facilities and libraries performance. A recent decision will result in the creation of a new leisure trust to manage the area's leisure services.

239. There have been two inspections of community learning and development facilities, in Dunbar (2003) and Haddington (March 2007). In the earlier inspection the authority was found to provide a good service in support of community learning and development in the Dunbar area. In its latest inspection report it was found that the key strengths were:

- The commitment of staff to local learners and voluntary community groups in the community of Haddington and the surrounding villages.
- The high levels of knowledge displayed by staff about the characteristics of the local communities.
- The particularly strong networks between practitioners especially in the East Lothian Learning Partnership.
- The good relationships with learners demonstrated through focus groups and questionnaires.

240. The SPLs for cultural and leisure services indicate that there are areas for improvement in the performance of some leisure and library services. Although the attendance at swimming pools; 5,006 per 1,000 population for 2005/06 is well above the national average and has increased significantly since the opening of a new pool at Prestonpans, the attendance; 3,380 per 1,000 population for indoor leisure facilities has declined over the last three years and is now below the national average of 4,156.

241. The council falls short in meeting national targets for the annual additions to library stock for both adults and children. Furthermore there is a declining percentage of the population that are borrowers, 23.3 per cent in 2005/06; this closely reflects the national trend. The number of residents using learning centres and access points has declined and is below the national average.

242. The council commissioned an option appraisal in 2005 to look at the future management of sports and leisure. In January 2007, the council approved the establishment of new leisure trust. There are plans to place an advertisement in the press seeking notes of interest to form a new board of trustees from people with a professional background. Over a period of six months staff will transfer to the new organisation and TUPE regulations will apply. The council will monitor the service via a service specification and Service Level Agreement and a grant will be paid to the trust from the council. The new Trust will be non-profit making with any surplus put back into the organisation.

243. The community well-being division has LiP accreditation and has recently been reaccredited. It has also successfully worked in partnership through the East Lothian Litter Initiative (ELLI) to deliver an improved score in the Local Environment Audit Management System (LEAMS) audit. (Exhibit 20).

Exhibit 20 East Lothian Litter Initiative

The ELLI is seen nationally as a successful anti-litter campaign. It has received good media coverage and resulted in representatives from the council being invited to speak at various conferences including the Keep Britain Tidy Conference.

The initiative involves the council working collaboratively with partner agencies such as the Police, Community Councils, Schools and the East Lothian Tenants and Residents Panel. In addition local traders in some areas are also becoming involved.

It was initially introduced in the town of Tranent and used 'shock and awe' tactics in its approach to litter collection. The initiative is being rolled out across East Lothian but there will be a bespoke local approach developed for each initiative which will be designed around specific community requirements.

The council has recognised the need to keep the initiative fresh by continuing to introduce new ideas for it to be successful as it is rolled out. These include one-off initiatives, such as one community going for a world record for the biggest community clean up. It is also targeting its own staff and elected members to take the lead and be involved.

The approach has made use of effective partnership working and community involvement to improve its performance. The council has seen an improvement in the results of its LEAMS audit rating which at 70 is now in line with the national average score.

Source: Audit Scotland

Environment

Performance across the department is inconsistent. The department faces challenges in maintaining appropriate levels of staffing to manage its increasing workload. The service performs well in terms of planning applications, maintaining up-to-date local plans and consumer complaints. However, it must improve its performance in terms of building standards.

244. The department of environment has an annual budget of £17.5 million. It is made up of three service groupings: planning (ie, development control; policy and projects; and building standards); environmental and consumer services; and transportation (ie, roads, transport services and waste services).

245. The three service groupings operate separately from each other, with each having its own managers' meeting. There is no departmental management team. The structure limits the effectiveness of the strategic management and the opportunity to consider the strategic deployment of resources across the department.

246. There are concerns over the department's capacity to deal with increasing workloads and the pressures associated with the growth being experienced in East Lothian. This is due to the flat nature of the management structure and recruitment difficulties in some services such as planning and building standards.

247. SPIs have consistently shown aspects of the planning service to perform well. Despite workload pressures, it ranked highly for efficiency in dealing with both householder and wider planning applications (ranked fourth in Scotland for both indicators). The service continues to meet the SPI requirement to maintain up-to-date development plans. The balanced scorecard presented to environment PPRP in March 2007 shows deteriorating performance against planning application processing, but this has been attributed to the resources involved in the recent public local plan inquiry between June and November 2006. Although the service is confident that this will improve, the council must be mindful of the likely pressure to arise from further development in East Lothian.

248. Over the past two years the building standards service has failed to meet performance targets: in application processing as reported in its balanced scorecard for the third quarter of 2006/07. This is attributed to an increased workload coupled with staff recruitment difficulties and vacancies. At its March meeting the environment PPRP agreed to revisit this issue at the first meeting of the PPRP following the May 2007 elections. It remains unclear whether solutions have been identified to address these staffing difficulties.

249. For environmental services, the 2006/07 SPIs suggest a mixed picture. In environmental health, the proportion of noise complaints dealt with within 14 days was significantly below the Scottish average (69.4 per cent against 84.6 per cent), but this has shown improvement (by 53 per cent) over three years. The council performs well on consumer complaints (Trading Standards), currently ranked first for the percentage of complaints processed within 14 days of receipt.

250. The Food Standards Agency carried out an audit of the food safety service in December 2006. The report recommended remedial actions across 11 out of the 61 activities inspected.

251. In relation to waste management, the cost for refuse collection (£67.67 per property) is higher than the Scottish average (£53.80) but refuse disposal costs (£62.46) are around the Scottish average (£63.20). The cost for refuse collection has been considered by the environment PPRP, where it was noted that the higher cost could be attributed to frequency of collection; the introduction and roll-out of costs of recycling activities; and its uplift service.

252. The council recycles 27.5 per cent of waste and was ahead of the Scottish Executive's target for recycling (25 per cent) at the end of 2006. This can be attributed to a combination of initiatives, including the launch of kerbside recycling facilities and the opening of a new recycling facility for the east of the council area at Dunbar.

253. In relation to roads and lighting, SPIs show a decrease in the proportion of the road network in need of repair from 49.5 per cent to 35 per cent. Across the board, the council performs well in roads, lighting and network indicators. The service was named one of the five best overall UK street-lighting performers and new best performer for winter maintenance by the Association for Public Sector Excellence (APSE).

Part 4. What needs to improve?



East Lothian Council has much to do to promote a culture and environment within which best value can flourish. The council needs to improve the openness of its management arrangements and decision-making processes, develop its performance management and scrutiny arrangements, and establish a stronger corporate approach to the management and coordination of its improvement activity.

254. Continuous improvement in public services and local governance lie at the heart of the Best Value and Community Planning policy framework. Elected members must focus on key policy objectives and the needs of service users and communities, driven by a desire to achieve the highest possible standards in service delivery. This requires a culture where areas in need of improvement are identified and openly discussed and in which service performance is constructively challenged.

255. East Lothian Council has some way to go in order to demonstrate a culture of continuous improvement. There has not been strong and effective leadership of best value by elected members or senior officers and there is a lack of a coherent corporate framework within which all of the council's improvement activity can be prioritised and coordinated. The council's approach to continuous improvement has been reactive and it has lacked a strategic focus. There is not a strong corporate customer or user focus to the council's approach to improvement, although this is evident within individual services.

256. The council has demonstrated limited self awareness in terms of what it needs to improve. The council's best value submission identified some of the improvements required but there are a number of areas which we have identified which were not included in the council's plan including the openness of its decision-making process, the lack

of a medium-term vision and the lack of a corporate framework to coordinate continuous improvement activity across the council. The scale of the improvements required is considerable and the council has lacked a strategic focus on priorities in recent years. Key plans such as the Quantum Leap Improvement Plan were not progressed or monitored sufficiently.

257. The council has benefited from considerable stability in its political and managerial leadership over the last ten years. There has, however, been an increasing tendency to use informal and private arrangements and mechanisms to conduct its business and a lack of openness in its decision-making processes is not generally supportive of an environment within which best value and continuous improvement can flourish. There has also been a lack of challenge of service and corporate performance through the council's scrutiny arrangements.

258. The council faces some capacity constraints. Elected members have not been well supported or engaged in developing their leadership capacity and recent changes to the council's managerial structures suggest that the new chief executive faces a challenging role in managing a substantial service department as well as developing the strategic focus of CMT, supporting the new council following the May elections and delivering a demanding improvement agenda.

259. The council has much to do to take forward community planning. It has had limited impact so far and new structures are only recently in place. Some partners feel that the vision reflects that of the council rather than that of their organisations. As a consequence of this lack of partner endorsement, there is a risk that the vision is not shared or owned.

260. The improvement agenda sets out a number of immediate and medium-term priority actions

designed to focus the council on areas for improvement. They are intended to assist the council in identifying those areas where it should focus its initial investment. The improvement plan will provide the basis for review and monitoring by the council's external auditor over the coming years.

261. Responsibility for taking forward improvement lies with the new council, which has already indicated its determination to adopt a fresh approach that will address the difficulties identified in this report. The immediate priority is to recruit a new chief executive and establish the structure of council departments to lead the substantial improvement work that is required.

East Lothian Council improvement agenda

Immediate

- Establish a stable senior management structure with the capacity to take forward this improvement agenda.
- Develop an effective framework for strategic planning including implementing a medium-term vision through a corporate plan.
- Develop a clearer strategic focus on performance and what needs to improve among elected members and CMT.
- Provide elected members with support and training, including leadership development, in order for them to discharge their duties.
- Implement an integrated leadership and management development programme for officers.
- Develop an integrated framework for continuous improvement.
- Develop more robust and effective scrutiny arrangements for scrutinising performance and decision-making.
- Ensure decision-making arrangements are open and transparent.
- Develop medium to longer term strategies for the effective management of resources including financial planning and asset management.
- Provide clarity on the approach to community planning and implement a robust framework for measuring and monitoring the community plan.
- Develop a strategy incorporating good practice principles for the governance and operational arrangements when dealing with Arms Length Organisations.
- Further enhance the performance management arrangements by implementing a Corporate Scorecard.
- Develop a robust approach to competitiveness, incorporating a strategic programme of reviews which cover a mix of service based and cross-cutting areas. Include option appraisal activity.
- Increase the pace of improvement in customer service arrangements, including the development of a strategic customer care policy.

Medium term

- Identify appropriate arrangements for monitoring and measuring planned efficient government savings.
- Establish systems to ensure the risk management framework becomes embedded within the organisation.
- Review consultation and community engagement activity for efficiency and effectiveness.

East Lothian Council

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