

The Audit of Best Value and
Community Planning

Midlothian Council



Prepared for the Accounts Commission
June 2008



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 £16 billion of public funds a year.

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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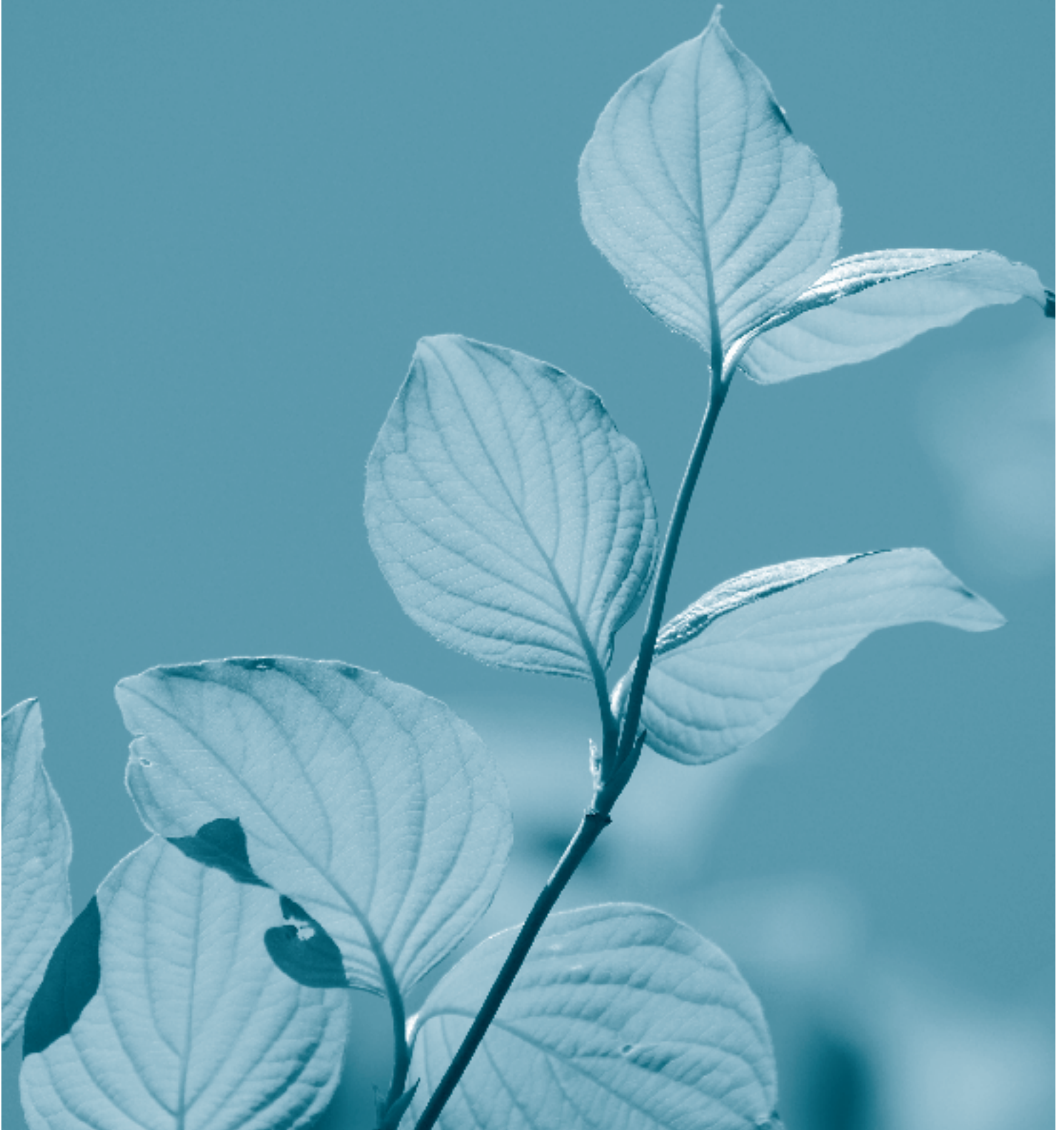
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The Audit of Best Value



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 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 Midlothian 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 (SPIs), 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 Midlothian Council.

Our audit work was conducted between April and October 2007 on either side of the 2007 council elections. The sickness absence of one member of the audit team caused some delay in completing the report and we have taken into account further evidence submitted by the council to ensure that it is up to date.

We gratefully acknowledge the co-operation and assistance provided to the audit team by Midlothian Council. We would particularly like to thank Councillor Adam Montgomery, provost and former leader of the council; Councillor Derek Milligan, leader of the council; Trevor Muir, chief executive; Sally Reid, head of performance and human resources; and all other members and officers contacted during the audit.

Commission findings



1. The Commission accepts this report on the performance of Midlothian 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. Midlothian Council has an ambitious vision based on its understanding of local needs and issues and we welcome its effective engagement with communities and its generally sound financial management. We also recognise the work the council is doing in house building and improving the quality of its school estate. However, the council has some way to go before it is in a position fully to demonstrate Best Value and continuous improvement. While many of the necessary processes are in place, there is a need for more effective implementation and clearer priorities.

3. The council needs to take corporate action to:

- drive initiatives through to completion
- deal with the areas where there are significant service deficiencies
- improve its standards of customer care
- take forward the important people management issues which have not yet been fully delivered
- put in place and use effective processes to support continuous improvement across all areas

- work at ensuring that its priorities can be delivered within the agreed timescales.

4. In addition, we consider that particular attention should be given to:

- elected members and senior officers providing a clearer focus on Best Value and support for continuous improvement
- scrutiny arrangements consistently providing members with timely information about service performance
- ensuring the competitiveness of its services, with the use of options appraisals and benchmarking and, where appropriate, market testing
- considering how best to build managerial and professional capacity within the council.

5. The Commission looks forward to receiving an improvement plan with measurable and achievable outcomes to take forward these findings and the recommendations in the report by the Controller of Audit.

Overall conclusions



Midlothian council has a vision clearly based on an understanding of local needs and issues, and effective engagement with its communities, but it has not yet developed a sufficiently clear focus on Best Value. It needs to improve corporate working and establish a stronger culture of challenge and continuous improvement. Partnership working has contributed to some positive outcomes for communities, but the council needs to adopt a more strategic approach to Community Planning.

The council has many processes in place to support performance management and continuous improvement, but needs to apply these more rigorously if it is to deliver its priorities and improve services. Arrangements are generally effective in managing finances within budget and to support risk management, equalities and sustainability. Improvements in scrutiny need to be sustained to ensure that elected members are well informed about service weaknesses. Improvements are needed in people management, medium-term financial planning, asset management, procurement and in demonstrating competitiveness. The council generally knows where it needs to improve and has work under way in most of these areas.

The council's service performance is mixed. It is investing heavily to improve the quality of its school estate and to build new affordable homes, but it still needs to improve below average educational attainment and weaknesses in housing and homelessness services. It is responding positively to serious weaknesses identified in its child protection services and social work services more generally. Customer care is inconsistent in delivering accessible services and requires significant improvement.

The council faces a challenging improvement agenda with limited resources. Past improvement plans have proved unrealistic and it now needs to set clearer priorities linked to available resources to meet its responsibilities to deliver Best Value.

- 1.** Midlothian has a population of 80,000 and is located in east central Scotland, to the south-east of Edinburgh. It has seven main towns, predominantly to the north, and significant rural areas to the south of its main conurbations. It is the second smallest mainland council in Scotland and the close proximity of Scotland's capital city, Edinburgh, has a significant impact upon Midlothian in terms of its economy, housing and transport.
- 2.** The council and its Community Planning partners share a vision for Midlothian in 2020 that is based on an understanding of local needs and issues. Aspects of this vision are ambitious, including the creation of a vibrant economy with 10,000 new jobs. The council recently improved its strategic planning, with a new Corporate Strategy for 2008-11 approved in March 2008. The strategic priorities are aligned with the revised Community Plan for 2007-11 and have been developed in line with the council's Single Outcome Agreement (SOA).
- 3.** Through the community plan and corporate priorities, the council is seeking to address the social, economic and environmental challenges for the area, including: developing a modern, diverse and sustainable economy; tackling homelessness and a lack of affordable housing; and improving the transport infrastructure. The council engages well with its communities and is aiming to improve further by engaging equalities groups more systematically.
- 4.** The Community Plan for Midlothian for 2007-11 provides a more focused and coherent set of priorities for the Community Planning Partnership (CPP). A partnership agreement sets out the governance arrangements for the partnership and provides the basis for the ongoing review and rationalisation of Community Planning structures. There are examples of effective joint working between the council and its partners, particularly those in the voluntary sector. However, this has not been the case with all partners across important areas of service delivery. The pace of improvement in Community Planning has been slow, although the CPP has now agreed clearer objectives, is creating simpler structures and needs to demonstrate its impact more effectively.
- 5.** The council has experienced a long period of stability in its leadership, with the chief executive appointed in 1995 and the council controlled by a Labour administration with a large majority until May 2007. The council has been predominantly officer-led and relationships between the chief executive, Corporate Management Team (CMT) and elected members are positive. Elected members and senior officers have not provided a sufficiently clear focus on Best Value and the pace of improvement needs to increase. Elected members need to provide stronger community leadership and harness the capacity of the CPP to deliver more positive outcomes for the people of Midlothian. The CMT needs to demonstrate stronger leadership in addressing areas of weak performance, establish a culture of continuous improvement and to take action to improve the capacity of the organisation.
- 6.** The council's track record of delivering its corporate priorities as planned has been mixed, and it recognises that, given its capacity, it has been overambitious in trying to deliver too broad a range of priorities. The council introduced its Planning and Performance Management Framework (PPMF) in 2005 but some key elements are not yet in place. While arrangements are established at corporate and divisional levels, comprehensive performance

management and reporting processes are not fully embedded at Community Planning, section or individual level, and full roll-out of the PPMF is not scheduled until December 2008. The council has established a sound risk management framework and needs to ensure those processes are operating effectively across the organisation.

7. The council has sound structures in place to support elected member scrutiny. Serious weaknesses in child protection and housing highlighted that performance management and scrutiny arrangements needed to improve. There has been limited scrutiny of decision-making.

8. The council's financial management is generally sound, although there is scope to improve its approach to medium-term financial planning. Frameworks are in place for reviewing services and appraising options for improvement, but they need to be applied more consistently. There are good examples of innovation and improvement in some areas and the council should ensure that learning from these is shared more widely across the organisation.

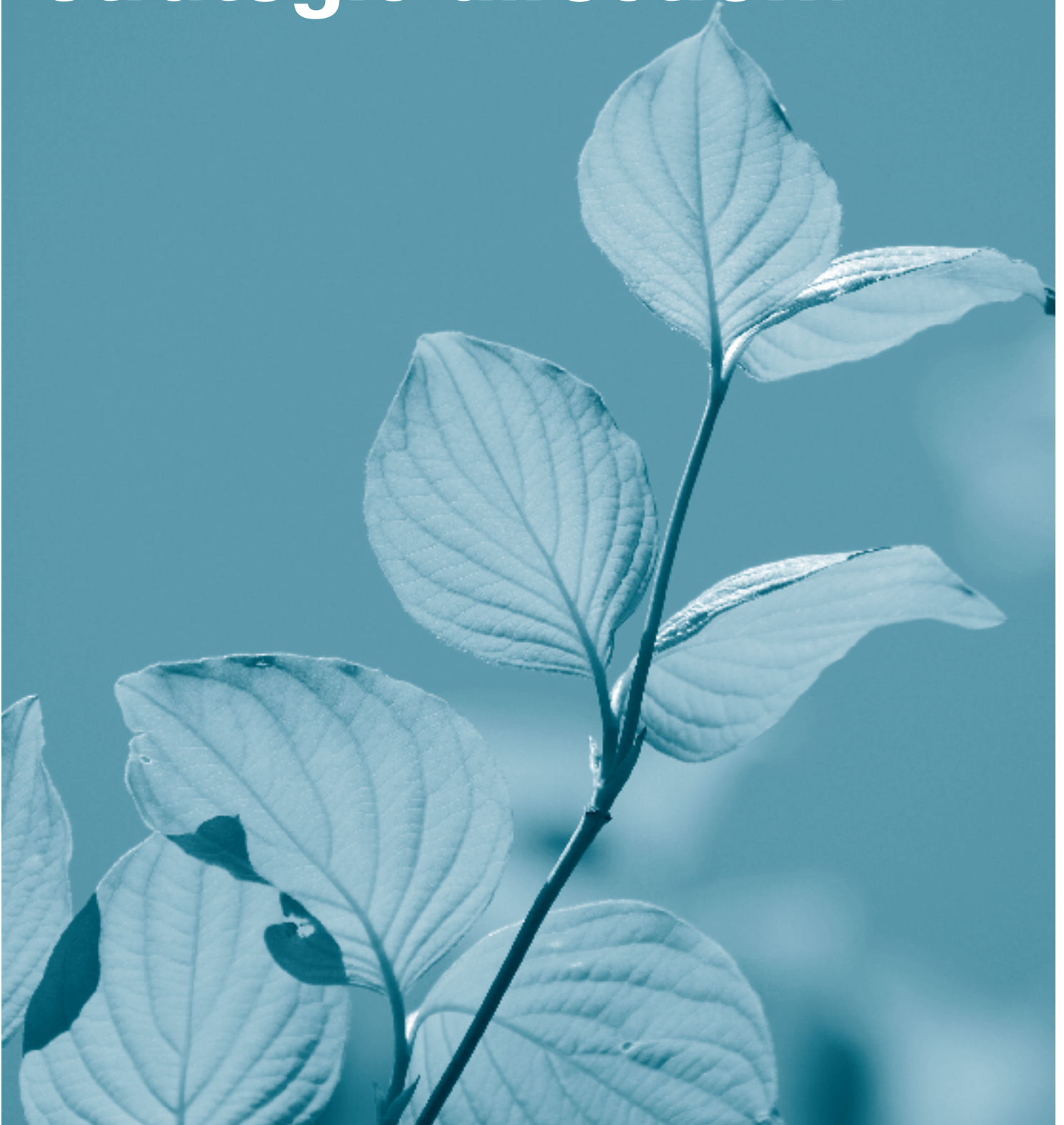
9. Progress on single status has been slow and it continues to present a significant risk. The council has developed strategies for managing its assets and improving procurement, but needs to implement these more effectively. In addition, it does not have a formal process for testing the competitiveness of its commercial activities, and some significant areas of trading have not been exposed to competition for ten years or more.

10. The council demonstrates a clear commitment to equality. It has supported this with effective policies and procedures and equalities impact assessments, but needs to monitor outcomes for equalities groups better. While the council can demonstrate some good examples of sustainable development activity, corporate processes to support sustainability remain underdeveloped.

11. The council demonstrates a mixture of strengths and weaknesses across services. It is significantly improving the quality of its school estate but still needs to improve comparatively low levels of educational attainment and high levels of exclusions for schools. It provides good quality housing with affordable rents and is responding positively to housing need by building new council houses. However, it needs to tackle significant weaknesses in housing management and homelessness services. In February 2007, Her Majesty's Inspectorate of Education (HMIE) published its report on the joint inspection of services to protect children and young people in the Midlothian area, which identified serious weaknesses in child protection services. The council has responded positively to the criticisms.

12. The council's customer care processes are inconsistent. It needs to improve the quality and range of services provided by its contact centre and support this with training for staff. It also needs to monitor complaints more effectively to support improvement.

Part 1. Does the council have clear strategic direction?



The council's vision for Midlothian is clearly based on an understanding of local needs developed through effective engagement with communities. The Midlothian Community Plan 2007-11 and the council's Corporate Strategy 2008-11 are aligned and have been developed in line with the council's SOA. The council's track record of delivering its corporate priorities as planned has been mixed, and it has been unrealistic in trying to deliver too broad a range of priorities. It would benefit from more effective strategic leadership from elected members and senior officers, focusing on stronger corporate working and developing a culture of challenge and continuous improvement.

Joint working has contributed to some positive outcomes for communities but the council needs to develop a more strategic approach to Community Planning.

Midlothian

13. Midlothian is located immediately to the south-east of Edinburgh (Exhibit 1). It is Scotland's second-smallest mainland authority with a population of some 80,000 residents. It covers an area of 355 sq km.

14. Most of its population lives in the north, close to the Edinburgh bypass. The south of Midlothian is predominantly rural, with the population thinly spread among smaller settlements. The close proximity of Scotland's capital city has an important impact upon Midlothian in terms of its economy, housing and transport. Midlothian faces major growth pressures which are reflected in the structure and local plans.

15. The percentage of Midlothian residents from ethnic minorities is half the national average, at around one per cent. Published statistics show the population of Midlothian is projected to fall by around two per cent over the next 15 years or so. Projections to 2021 show a nine per

Exhibit 1 Midlothian Council area



Note: Midlothian is shown in green.
Source: Audit Scotland

cent projected fall in the proportion of children and a two per cent fall in the proportion of working age adults. In contrast, Midlothian faces increasing pressures from a growing elderly population, with the population over 65 years of age projected to grow by 13 per cent, and those over 75 by 46 per cent.

16. Midlothian has below average levels of deprivation. Despite this, educational attainment levels are among the lowest nationally and there are high rates of teenage pregnancy, and alcohol and drugs misuse among young people. Crime and fear of crime have been identified as issues for the people of Midlothian, although overall crime levels are below the national average and clear-up rates are slightly above the national average.

17. Midlothian's economy is characterised by below average unemployment and below average earnings. Gross Domestic Product (GDP) growth in recent years has been less than half the Scottish average. The economy has experienced significant change; the traditional industries of coal-mining, paper-making and carpet manufacturing have virtually disappeared, although it still has a higher than average proportion of jobs in construction and a lower proportion in finance and business.

18. Substantial growth is planned for Midlothian. Over 12,000 new houses and use of an additional 75 hectares of land for economic development are planned by 2020. Contrary to official population projections, the council estimates that the successful implementation of these plans will increase population to between 100,000 and 112,000 over this period and the CPP aims to create 10,000 new jobs in Midlothian by 2020.

Midlothian Council

19. The council's gross expenditure in 2006/07 was approximately £223 million, Exhibit 2. Expenditure per head of population of £2,806 was some way below the national average of £3,104. In 2007/08, the council froze band D council tax at £1,210, above the national average of £1,149 and fifth highest in Scotland. In common with other councils in Scotland, Midlothian has frozen council tax for 2008/09. Average council house rents increased by four per cent in 2007/08, but at £41.29 were the third lowest in Scotland. The council employs 3,680 full-time equivalent (FTE) staff.

20. The council has six multi-member wards represented by 18 councillors; nine Labour, six SNP and three Liberal Democrat. In May 2007,

Labour lost their majority hold and the council now comprises a Labour administration with a casting vote.

21. In 2000, the council modernised its political structures and adopted an executive model of political administration. This includes a Cabinet made up of members from the majority political group, along with scrutiny, statutory and regulatory

committees, as shown in [Exhibit 3](#). The council's Cabinet model enhances timely decision-making through fortnightly meetings.

22. The council revised its management structure in April 2007 ([Exhibit 4, overleaf](#)) with the aim of increasing customer focus, encouraging innovation, improving efficiency and productivity, and promoting joined-up working and

strong accountability. However, the council did not evaluate a range of potential options and therefore is not able to clearly demonstrate that the new structure represents the optimum arrangement for Midlothian.

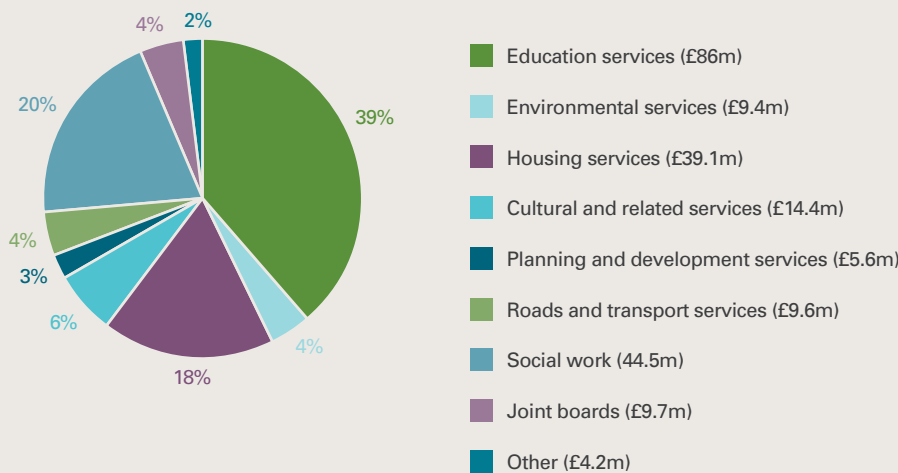
Vision

The council and its Community Planning partners share a vision for Midlothian in 2020 that is based on a clear understanding of local needs and issues. Aspects of this vision are ambitious, including the creation of a vibrant economy with 10,000 new jobs by 2020. The 2007-11 Community Plan and Corporate Strategy 2008-11 provide a clearer articulation of how the vision will be realised.

23. The 2007-11 Community Plan, *Midlothian Moving Forward*, sets out a clear vision for Midlothian in 2020 based on the principles of improving the quality of life for everyone and safeguarding resources for future generations. The plan provides a framework through which partners can track progress and measure performance.

Exhibit 2

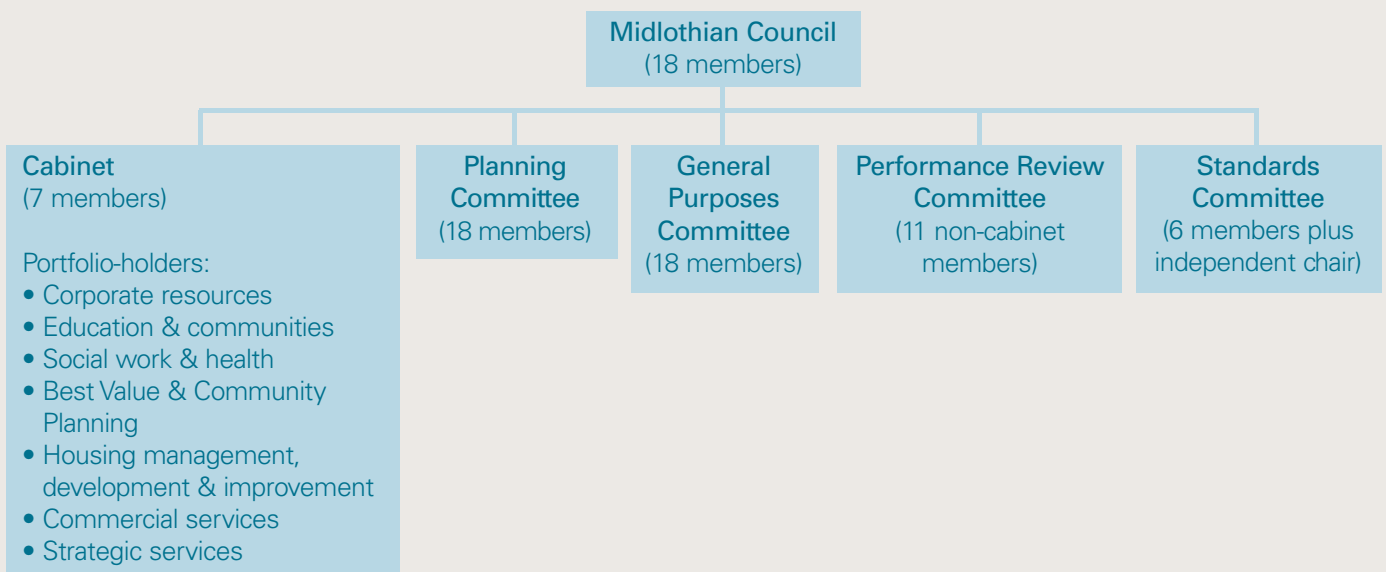
Gross service expenditure in 2006/07



Source: Midlothian Council 2006/07 Statement of Accounts

Exhibit 3

Midlothian Council political management structure



Source: Midlothian Council

Exhibit 4

Council divisional structure



Source: Midlothian Council

24. The council recognises the need to create the conditions for the development of a modern, diverse and sustainable economy, with service industries, tourism and scientific research and development growing in importance. It also recognises the need to support this by improving the educational attainment and skills of local people, improving transport infrastructure to facilitate regeneration and sustain growth, and improving the supply of affordable housing – only around three per cent of houses in Midlothian are in council tax band A compared to a Scottish average of 23 per cent.

25. Midlothian Council and its partners are already responding positively to some of these challenges:

- In 2004, there were 25,500 jobs in Midlothian, which is 37 per cent higher than in 1995.
- The council itself initiated a programme to build 1,000 council houses for rent over the next few years and some properties are already built.
- Educational attainment is improving, especially among lower achievers.
- Construction of the A68 Dalkeith bypass is under way.

26. In developing the new plan, the CPP consulted on and rationalised its objectives for 2007-11. In September 2007, it agreed six key objectives:

- Supporting healthy, caring and diverse communities where local needs are met
 - to reduce health inequalities and improve community care.
- Maximising business opportunities in Midlothian
 - creating new jobs in Midlothian.
- Ensuring Midlothian is a safe place to live, work and visit
 - taking steps to ensure safer communities.
- Conserving and improving Midlothian's environment
 - helping to ensure a clean and accessible environment for all to enjoy.
- Improving opportunities for people in Midlothian
 - tackling disadvantage and providing learning opportunities.

- Raising the profile of Midlothian
 - increase awareness of services and opportunities provided by CPP groups.

27. One ambition is to provide 10,000 new jobs in Midlothian by 2020 in an integrated and vibrant economy. The Midlothian Economic Development Plan highlights six key sectors expected to play a major role in Midlothian's future: life sciences, earth sciences, construction, tourism, education and the public sector.

28. The council's own priorities and objectives in support of the vision for Midlothian are set out in its corporate strategy and annual plans. The Corporate Strategy 2008-11 was developed in the context of the Community Plan for 2007-11. The strategy has six objectives with associated priorities, supported by targets for each year of the strategy.

Leadership

Relationships between the chief executive, CMT and elected members are positive. However, elected members and senior officers have not provided a sufficiently clear focus on Best Value. Elected members need to provide stronger community leadership and harness the capacity of the CPP to deliver more positive outcomes for the people of Midlothian. The CMT has to demonstrate stronger leadership in addressing weak performance, establishing a culture of continuous improvement and taking action to improve the capacity of the organisation.

29. The council has experienced a long period of stability in its leadership, with the current chief executive appointed in 1995 and the council controlled by a Labour administration with a large majority until May 2007. While there has been stability, elected members and CMT have not provided sufficiently

clear focus and direction in moving the council forward. The pace of improvement needs to increase in a number of areas, including embedding the corporate performance management framework, asset management, competitiveness and some key services.

30. Members need to exercise more direct influence on the strategic direction of the council. Relationships between officers and members are constructive, and members have in the past made some significant decisions, for example, the rationalisation of school buildings and the decision to build 1,000 new council houses. However, the council has been predominantly officer-led and members could demonstrate stronger leadership in Best Value and continuous improvement. Members also need to be more effective in holding officers to account for successful delivery of objectives within agreed timescales.

31. Overall, the CMT has provided stable stewardship for the council, but needs to develop a clearer focus on corporate working. This is reflected in a number of areas:

- Performance in several key aspects of council services remains at or below average.
- Significant service deficiencies in aspects of social work and housing management were identified only as a result of the work of an external regulator and independent consultants.
- The council is not delivering consistently high standards of customer care.
- It has a mixed track record of successfully delivering priorities within agreed timescales.
- Effective processes to support continuous improvement across all areas are not yet in place.

- Important people management issues, such as personal development planning, staff absence, equal pay and single status, have not been fully addressed.

32. The council has responded positively to criticisms from external inspections, for example, the chief executive has played an important role in leading improvement in child protection services. It is important that the council builds on this and develops a culture where improvement is proactive rather than reactive.

Community Planning and partnership working

The council needs to take a more strategic approach to Community Planning. Partnership working has contributed to some positive outcomes for communities but a more coordinated approach to working with partners is required. The council works effectively with the voluntary sector but this has not been the case with all partners across important areas of service delivery. The CPP needs to more clearly demonstrate its impact in improving outcomes in Midlothian and a framework to facilitate this has recently been developed. The CPP has developed plans to rationalise partnership working arrangements to improve efficiency and to give a clearer focus on key issues.

33. The council has established a broad range of working arrangements with its partners for the delivery of services across Midlothian and these are formalised in Midlothian's CPP. The CPP is chaired by the Cabinet member with the portfolio for Best Value and Community Planning, and comprises ten core partners from the public, private and voluntary sectors. A partnership agreement has been endorsed by all partners setting out the governance arrangements for

Community Planning. The council is keen to involve a wide range of partners in the CPP.

34. The original objectives of the CPP were set out in Midlothian's Community Plan, *Midlothian Moving Forward*, published in February 2003, which set out a broad vision for Midlothian for the year 2020. The plan was developed following extensive public consultation and agreed at a Community Planning conference in August 2002. The 2007-11 Community Plan, approved in September 2007, sets out six objectives with associated priorities and the partnership is undertaking a review of Community Planning structures.

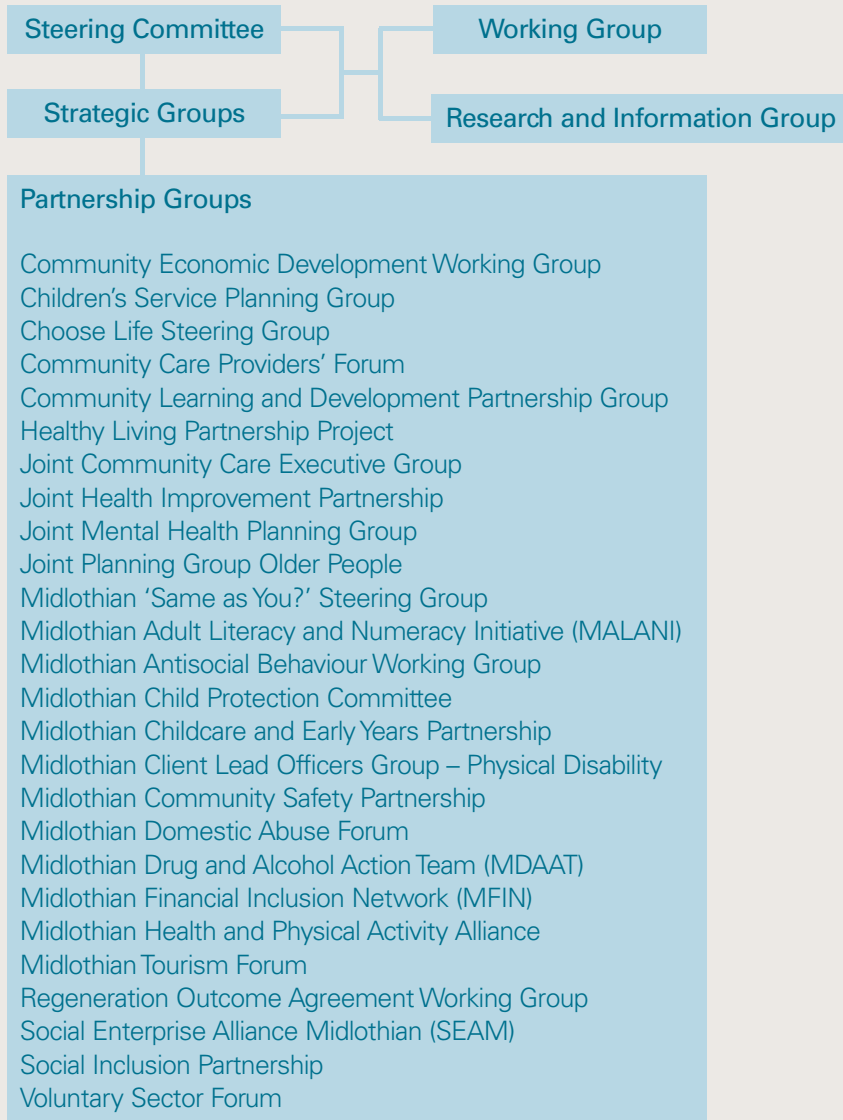
35. While elected members hold key roles within the partnership, they could provide stronger leadership to the Community Planning process. There is also scope to involve senior managers across the council more effectively in the CPP. The council has addressed this, in part, by making clearer links between the Community Plan and the new Corporate Strategy 2008-11.

36. The council and its core partners form the Community Planning Steering Committee, designed to oversee the development of the CPP. The steering committee meets every six months and agendas can be heavy, which can restrict debate. It has in the past acted primarily as a forum for partners to provide updates on projects and developments. The new Community Plan 2007-11 provides an opportunity for the steering committee to provide clearer strategic leadership to the partnership and to ensure performance against the plan is monitored effectively.

37. A CPP working group provides a link between the steering committee and six strategic groups. Midlothian's CPP structure is shown in [Exhibit 5 \(overleaf\)](#).

Exhibit 5

Midlothian Community Planning structure



Source: Midlothian Council

38. At the time of the audit, Midlothian had 26 partnership groups that contribute to the CPP structure, with many individuals from council and partner organisations involved in a range of groups with similar aims. The CPP recognises there is scope to rationalise partnership groups to make joint working more efficient and effective. For example, the Social Inclusion Partnership and the Community Learning and Development Partnership have been combined to form the Improvement Opportunities Strategic Group. A

review of the remaining partnership groups is under way.

39. In the responses of seven partners to the council's Community Planning self-assessment questionnaire in December 2006, all agreed that the council facilitates Community Planning well, but only one said that the CPP was efficient and two that it was effective. However, six felt that the partnership was in the process of becoming more efficient and effective. This is consistent with the results of

our survey of Community Planning partners, undertaken in March 2007, which show that, of 11 respondents:

- nine agreed that the council works well with its partners (82 per cent)
- five agreed that the CPP is clear about the priorities it wants to achieve (45 per cent)
- three agreed that the CPP has a clear plan of action to deliver its priorities (27 per cent)
- three agreed that the CPP meetings are effective for agreeing actions to deliver priorities (27 per cent).

40. The CPP has not clearly demonstrated its impact in improved outcomes for people in Midlothian. In 2006, it agreed to adopt a more rigorous PPMF covering every level within the CPP, but this is not due to be fully implemented until December 2008.

41. While it has not been able to demonstrate clearly the impact of partnership working through the CPP, there are some examples of effective joint working, including:

- Rates of coronary heart disease in Midlothian continue to be above the Lothian-wide rate, but between 2000 and 2005 they decreased from 955 to 744 per 100,000 population.
- The proportion of adults attending some type of adult learning is higher in Midlothian than in Scotland as a whole.
- The council has recently developed integrated mental health services with the NHS ([Exhibit 6](#)).
- In some of the most disadvantaged areas of Midlothian, the council and its voluntary sector partners have engaged over 140 young men in activities to divert them from antisocial behaviour and drug/alcohol abuse.

- In July 2007, HMIE identified a range of effective joint working in delivering adult community learning and development services.

Exhibit 6

Mental health services

Midlothian Council was the first council to implement the joint mental health strategy for Lothian. Through work carried out in Midlothian's Mental Health Planning Group, the council and NHS Lothian have created an integrated mental health service from May 2007. The new approach in Midlothian moves away from the traditional medical model of service delivery to one focusing on social needs, and has involved closing all of Midlothian's mental health beds and redistributing £900,000 into the delivery of a modernised, community-based service. The new integrated service has a joint management team with co-located staff and aligned budgets from both the council and NHS.

Source: Midlothian Council

Engaging with communities

The council has engaged well with a significant proportion of the population in Midlothian. It is making positive progress in engaging young people, but recognises the need to engage better with minority groups within the local population. It has consulted well on the local plan.

42. Involvement is one of the council's values, reflecting high-level commitment to community engagement. Nine of the 13 elected members (70 per cent) who responded to our survey in April 2007 believe the council engages effectively with the people of Midlothian. However, only five of the 11 respondents to our CPP survey in March 2007 (45 per cent) believe

that community plan priorities are based on a clear identification of the needs of local communities and service users.

43. The council and its CPPs carried out extensive consultation in developing its first community plan in 2002, including: five public meetings; seven themed workshops; three youth events and a Community Planning conference. Since then, the CPP has established some effective methods for engaging and consulting residents, in particular annual community conferences and a citizens' panel comprising around 1,000 Midlothian residents. To date, four differently themed community conferences have been held, and seven citizens' panel surveys have been carried out since July 2003. Citizens' panel surveys receive high response rates and provide the CPP with useful information on the views of its communities. The latest survey found that priorities for residents include: reducing the amount of vandalism, including litter and graffiti; reducing crime and the fear of crime; providing decent, affordable housing; and reducing waste and pollution.

44. The council and its partners adopted a community engagement strategy in November 2006. The strategy takes account of the national standards for community engagement and identifies the need to improve engagement with young people and equalities groups. The strategy is supported by an action plan which is being implemented. The Community Planning Research and Information Group coordinates research and information activities on a partnership basis.

45. The council has made positive progress in consulting and engaging young people. For example, it has held pupil councils, a youth platform, a youth conference, and has successfully created and sustained a children's parliament. A Young Citizens' Panel for under 18s was established in 2007.

46. The council can demonstrate some effective consultation and engagement in the delivery of its services. For example, the council adopted good practice in finalising the Midlothian Local Plan in 2007 prior to public inquiry ([Exhibit 7, overleaf](#)).

47. Councils were required to fully involve disabled people in developing Disability Equality Schemes (DES). Midlothian consulted on its DES with disability groups 'Forward Midlothian' and 'People First', but only shortly before publication of the scheme. This reinforces the need to improve its engagement with local people with particular needs, as identified in the community engagement strategy.

Accountability and openness

The council's Cabinet structure is sound and facilitates open and timely decision-making. However, the scrutiny of decision-making has in the past been limited, and committee information could be more accessible.

48. The Cabinet is the council's key decision-making body and elected members indicate a general consensus that the Cabinet system allows for sound and timely decision-making. Council meetings include a specific agenda item for leader's questions, to allow elected members to directly question and hold the council leader to account.

49. Senior officers need to be diligent and open in informing elected members about critical issues. Officers did not make members aware of serious weaknesses in child protection services before the council received verbal feedback from HMIE on its inspection of these services.

50. The council's public performance reporting framework, approved by Cabinet in December 2006, highlighted plans to make public performance reporting more comprehensive and accessible, and to review the media and methods used to report information to different

Exhibit 7

Local plan consultation

The council finalised the replacement Midlothian Local Plan in early 2007 prior to public inquiry. In meeting its statutory planning requirement of consulting the public, in developing the local plan it adopted a number of good approaches, including: distributing information leaflets to every household; inviting community councils to pre-consultation workshops and to assist in disseminating information and stimulating debate; exhibitions in libraries, supermarkets and leisure centres; workshops in the main communities; having a dedicated local plan review page on the website; and the use of a community consultation bus 'Commbus', touring main towns and villages.

Its approach succeeded in achieving direct contact with those who do not normally engage in development plan consultation. The council has received positive feedback from consultees, the public and elected members on its approach to consultation. The consultation bus is also highlighted as a positive example of engaging communities in the Scottish Government's Planning Advice Note on Community Engagement Planning with People (March 2007).

Judges for the Scottish Awards for Quality in Planning 2006 highlighted both the work on the local plan as being a very thorough engagement process, and the use of the consultation bus.

Source: Midlothian Council

stakeholders. The council has made some progress on this through its *Loud and Clear* guide aimed at improving the access to and quality of public information, and through hosting local radio debates on council issues.

51. The council reports its performance to the public primarily through *Midlothian News* – a quarterly newspaper delivered to all households – and its website. *Midlothian News* is informative and accessible, and includes an annual performance report and budget summary. Quarterly performance information is available on the website but there is scope to make committee meeting agendas, reports and minutes more easily accessible. In addition, the council can further improve public reporting in relation to its Community Planning activities.

Part 2. Is the council organised to deliver continuous improvement?



The council has processes in place to support performance management and continuous improvement, but it needs to apply these more rigorously if it is to deliver its priorities and improve services. Arrangements are generally effective in managing finances within budget and in supporting risk management, equalities and sustainability. Improvements are needed in people management, asset management, procurement and in demonstrating competitiveness. The council's scrutiny arrangements are improving, but more needs to be done to ensure that performance information is relevant and supports effective decision-making. The council generally knows where it needs to improve and has work under way in most of these areas. Senior officers demonstrate a commitment to Best Value review activity, but CMT could do more to embed a culture of continuous improvement across the organisation.

Continuous improvement

The council has frameworks and guidance in place for review and options appraisal but it needs to apply these more rigorously if it is to fully realise benefits from reviews. The council does not manage its review and improvement activity as an integrated programme. A more coordinated approach would focus review activity more effectively and improve outcomes.

52. The council's schools Public Private Partnership (PPP) programme, the waste partnership, and its ambitious plans to build new housing are examples of the council pursuing alternative options for service delivery. However, the effective use of options appraisal is not yet embedded in the council's more routine service review and continuous improvement activity.

53. Improvement activity includes Best Value, divisional and efficient government reviews, and the use of tools such as the European Foundation for Quality Management (EFQM) model. The council's Best Value strategy sets out the organisation's overall approach to Best Value, structured around the ten criteria contained in the Best Value Statutory Guidance. There is a supporting guidance for managers, which indicates different types of improvement tools that are available to managers. The Policy and Performance Team lead corporate improvement projects and more could be done to manage improvement as an integrated programme, to help identify corporate improvement priorities and allocate resources accordingly across the organisation.

54. Best Value reviews are led by a director, elected member or senior manager. The Best Value review framework has a clear focus on delivery, with reviews not being formally completed until all the actions are implemented. All improvement activity is reported to the quarterly Performance Review Committee (PRC), providing an effective mechanism for monitoring improvement.

55. The council's review activity addresses issues identified at the CMT, PRC, and Cabinet, as well as actions arising from previous reviews. The current programme is well balanced and includes: education attainment, environmental health, meals on wheels, absence management and a corporate review of competitiveness.

56. Best Value reviews consider major alternatives to service delivery, but have not made a significant impact on the way services are delivered ([Exhibit 8](#)). These outcomes represent an incremental rather than 'step change' approach to continuous improvement. The council needs to apply its Best Value review methodology more rigorously if it is to fully realise benefits from its improvement activity.

57. The council does not regularly involve external partners in its reviews. Such an approach could help it to identify more innovative service delivery options to help to improve services.

Scrutiny

The council's political structures provide a sound basis for members to scrutinise performance and the quality of information to support this is improving. However, critical reports about the performance of key services have highlighted that scrutiny remains ineffective in some cases.

58. Under the council's political management arrangements, members of the Cabinet are able to scrutinise the work of council services that fall within their respective portfolios. The PRC, comprising all non-Cabinet members and chaired by a member of the opposition, has responsibility for scrutinising Cabinet decisions, council performance, and leading Best Value reviews of services.

59. Scrutiny of Cabinet decisions have been limited, with only two decisions 'called-in' in the last two years of the previous administration. The council is supporting elected members' ability to scrutinise performance by improving the information that is systematically reported to Cabinet and the PRC, particularly through quarterly performance reports. Although information on the performance of services presented to PRC has been improving, a critical HMIE report on child protection and a critical mock housing inspection report highlighted serious weaknesses in the council's key services that members were unaware of. The council has responded to the child protection report by establishing two subcommittees of the PRC, focusing specifically on social work and child protection respectively. While this change increases opportunities to scrutinise performance, it is important

that members are provided with appropriate support to improve the effectiveness of their scrutiny.

60. The PRC regularly challenges portfolio-holders and directors on specific performance aspects of their services, but much of this challenge is triggered by local issues rather than more strategic matters. There remains scope for more effective challenge on both strategic and operational matters.

Managing performance

The council's track record in achieving its corporate priorities within planned timescales has been mixed. However, it is improving the way it monitors and reports performance and is creating a stronger performance culture. It has not yet fully implemented the PPMF across the organisation.

61. The council reports that in each year since 2003/04, it has delivered around three-quarters (between 72 per cent and 83 per cent) of its priorities. The council recognises that, given its capacity, it has tried to deliver too broad a range of priorities and in 2007/08 it set 40 corporate priorities

(compared with 88 in 2005/06). Setting clearer timescales for delivering priorities will enable more effective monitoring of progress.

62. The council agreed a well-structured PPMF in 2005. The PPMF aims to link service planning more closely with performance monitoring and improvement activity. As a result, divisional plans contain improvement actions stemming from Best Value reviews, EFQM reviews, identified risks, external audits and inspections. Corporate and divisional performance reports are presented to CMT, PRC and Cabinet on a quarterly basis, although external inspections, particularly in relation to child protection, have highlighted

Exhibit 8

Summary of recent improvement review activity

Review area	Outcome
Economic development	Refocused activity to deliver target savings of £0.5 million in 07/08 (£113k savings achieved at time of audit).
Domiciliary care	<ul style="list-style-type: none"> • Introduced a new eligibility policy for receipt of the service. • Formed a commissioning group to identify savings from contracts with main providers. • Ensured compliance with National Care Standards. • Reviewed the Charging Policy in line with national guidance and to increase cost recovery. • Identified future staffing options.
Income from charges	<ul style="list-style-type: none"> • Standardised council charges with focus on cost recovery, eg sport and leisure services prior to reorganisation of Education and Community Services departments. • A corporate charging policy is currently under development.
Community learning and development	<ul style="list-style-type: none"> • Extended service agreements with partner agencies. • Led to further review and options appraisal.
Commercial services	<ul style="list-style-type: none"> • Identified process efficiencies, including centralised stores service and fuel management system.
Efficiency reviews	<ul style="list-style-type: none"> • Identified Corporate Efficiency Review programme for 2007/8 as follows: <ul style="list-style-type: none"> – Asset Management – Managing Absence – Procurement – Transportation – Shared services – Streamlining Bureaucracy. • Developed Process Improvement Framework to support the Streamlining Bureaucracy, eg to improve education grants process.
EFQM	<ul style="list-style-type: none"> • Introduced monitoring of PDP progress. • Supported corporate planning need to identify resource implications against priorities.

weaknesses in the management information being reported.

63. The council's review of the PPMF in autumn 2006 identified good initial progress had been made, but highlighted the need for further improvements, including more clearly defined targets and milestones and a stronger focus on outcome measures. Since then, it has purchased a software system and this has led to improved reporting and access to performance information.

64. The PPMF has not yet been fully implemented across the CPP, and to teams and individuals. Implementation was originally due to be completed during 2006/07 but this timescale proved ambitious and has been extended to December 2008.

Managing people

The council's approach to people management is currently underdeveloped and it needs to increase the pace of change in this area. The council lacks effective workforce planning processes, which should be a priority given its difficulties in recruiting and retaining staff. Reducing sickness absence and full roll-out of personal development planning continue to be challenging. Single status and equal pay issues have yet to be resolved and pose significant risks to the council.

65. The council employs around 3,680 FTE staff, equating to around 46 staff per 1,000 population. This is slightly above the national average of 44.8 staff per 1,000 population.

66. The council experiences difficulties in recruiting and retaining staff in social work, legal services, regulatory services (eg, building standards and environmental health) and some areas of teaching. With annual staff turnover rates averaging around ten per cent, difficulties in recruiting often result in vacancies and a heavy reliance on temporary staff, both of which pose risks to the delivery of effective

services. Although the council has had some success in using innovative solutions to address these difficulties, for example, recruiting social workers from Germany to overcome severe staff shortages, more effective workforce planning is needed.

67. The council approved its current People Strategy in September 2006. This recognises that establishing effective workforce planning is the council's overriding challenge in respect of people management. The strategy's action plan aims to establish the key elements of workforce planning through defining a planned approach to recruitment, deployment, retention, development and motivation of the workforce by March 2009.

68. Progress in applying Personal Development Planning (PDP) to all staff has been relatively slow and targets have been missed for the last two years. Rolling out PDP was made a corporate priority in 2003/04 but by March 2008, five years later, PDP was in place for 82 per cent of eligible staff (all staff excluding teachers and manual workers). The council needs to complete the roll-out of PDP as a priority and ensure that it is applied consistently across the organisation.

69. The council has offered equal pay settlements to more than 900 staff, with around 700 acceptances and around 190 staff waiting to have their cases heard by a tribunal. Midlothian has sought to limit its exposure to the financial risk associated with equal pay claims by agreeing payments to specific groups of employees as part of a compensation package. While a number of payments have now been made, costs are likely to continue to accrue until the full implementation of the Single Status Agreement.

70. Despite the council's continued efforts, progress in implementing the Single Status Agreement has also been slow during 2007. The earliest projected implementation is now July 2008.

71. Since 1997, the council has carried out two-yearly independent employee surveys (Talkback). The most positive results from the August 2007 survey report relate to staff satisfaction with their job and the council as an employer (87 and 74 per cent respectively), although both have declined slightly since 2005. However, only around 28 per cent feel the council manages change well and just over half (58 per cent) believe it cares about its service users.

72. Talkback also shows that since 2001, staff have been consistently critical of communications within the organisation. The latest results show that around 40 per cent of respondents feel informed about council decisions and less than half (around 47 per cent) receive feedback on their performance.

73. Around 19 per cent of respondents to the survey report some personal experience of bullying in the workplace, although there were only four formal harassment cases brought by staff in 2005/06 and none in 2006/07. In response to previous Talkback surveys, the council has taken steps to address this issue including: introducing a policy on the prevention of harassment at work in spring 2006; creating a pool of harassment support officers, mediators and external investigators; and harassment and bullying awareness training courses. However, the council needs to consider why a significant number of staff continue to report experience of bullying and review why its actions to date have had a limited impact.

74. Sickness absence continues to be above the national average. Reducing absence is a priority for the council and it has established effective absence monitoring through quarterly performance reports to CMT and members. It has targeted its action on priority areas, such as work-related stress and musculo-skeletal problems. It has also funded a 12-month secondment HR adviser, starting in May 2008, who will focus on action to

reduce sickness absence. In 2006/07, the council had some success in improving sickness absence among craft employees, although the level remains above the national average (Exhibit 9). Absence among teachers and chief officers and local government employees has increased since 2005/06.

Managing finance

The council's approach to financial management is generally sound. However, there is scope to improve the council's approach to medium-term financial planning, by making more explicit the links between the corporate strategy and budget planning beyond the current financial year.

75. The council has managed its overall financial position well in the past, maintaining reserves in line with planned levels. It has received unqualified opinions on its accounts, and external audit reports on the financial stewardship and governance of the council have generally been positive.

76. The council's net operating expenditure in 2006/07 was £163.6 million with a general fund surplus of £0.907 million. The council's general fund balance reached £9.825 million at March 2007.

77. In 2007, the council identified an underlying shortfall in annual operating expenditure of around £3.2 million from 2008/09, as well as a significant affordability gap in current capital plans. Proposals to close the funding gaps were considered and approved by elected members in February 2008, along with a review of options for progressing capital plans over the next four years.

78. The council's financial strategy for 2006/07 to 2008/09 includes using capital receipts of over £18 million to repay debt. This improves the amount of revenue expenditure available to the council during this period, and is being used to fund the costs of single status and equal pay, as well as

Exhibit 9 Sickness absence

	National average 2006/07	Midlothian 2005/06	Midlothian 2006/07
Chief officers and local government employees	5.6%	5.5%	5.9%
Craft employees	6.3%	10.8%	8.2%
Teachers	3.8%	3.8%	4.6%

Source: Audit Scotland SPIs

supporting the delivery of the schools PPP2 programme. The long-term financial plan beyond 2007/08 for the Housing Revenue Account (HRA) no longer includes the previous annual contribution of around £1 million that it made to subsidise the general fund, and the general fund budget reflects the withdrawal of this subsidy.

79. In a tightening financial environment there is a continuing need to identify and release efficiencies on an ongoing basis. The council has significantly improved its arrangements to identify potential efficiencies and record the savings achieved, through the implementation of its Efficient Government Plan. The council's ability to identify and generate efficiencies will continue to be central to its ability to achieve a balanced budget.

Managing assets

The council lacks a fully integrated approach to managing and maintaining its physical assets. While progress is being made on a range of strategic asset projects, basic information on the state of council buildings is insufficient.

80. The council has a diverse range of physical assets, including a property portfolio (comprising around 6,000 council houses, land and 115 public buildings) with an approximate value of £519 million at 31 March 2007. SPIs for 2006/07 indicate that approximately a third of the council's operational buildings are not suitable for their current use.

81. A number of strategic asset development projects have been/are being progressed by the council. These include:

- A PPP schools project (Exhibit 10, overleaf).
- Three new primary schools costing £28.5 million through conventional procurement.
- A £2.3 million major refurbishment of a primary school.
- A second £41.2 million PPP project replacing 14 existing primary schools with eight new builds.
- Investing £105 million in building 1,000 new council houses. This new-build programme began in May 2006, with completion of the first homes in spring 2007.
- The Penicuik Centre, a leisure library and community facility opened in March 2007.
- A new care home in Gorebridge is currently under construction and scheduled for completion by April 2008.
- In Penicuik, office rationalisation identified a number of buildings and sites as surplus to requirements and subject to disposal, and in Gorebridge a similar geographical review has identified a 60 per cent potential saving in space requirements.

Exhibit 10

Dalkeith Schools' Community Campus

Dalkeith Schools' Community Campus was procured under a £33.7 million PPP and completed in October 2003.

This innovative PPP project co-located three separate schools on a single campus (non-denominational, denominational, and a special school). While each school has retained its individual identity and teaching structure, certain elements of the buildings were to be shared between the three schools.

The three schools and the local community now have combined, programmed access to key facilities, such as state-of-the-art sports facilities, library and theatre. With good facilities encouraging community use, Dalkeith Schools' Community Campus was able to secure sportscotland Lottery funding to bring this ambitious project to fruition.

Source: Midlothian Council

Managing information and communications technology

The council is making progress on modernising its service delivery using information and communications technology (ICT), but needs to provide customer access to more online services. The council lacks a comprehensive ICT strategy but it is improving its approach to managing change and service improvements through ICT.

86. The council has an ICT service which provides ICT support and implementation across the council. Since 2005, its role has expanded to support the council's modernising government and efficient government initiatives.

87. The council's Customer First Strategy sets out a programme for using ICT to modernise service delivery. However, the council lacks a wider corporate strategy incorporating its core ICT service and infrastructure. The council recognises that it needs to develop more formalised IT and information management strategies and business cases to set out the future direction for its IT function.

88. The council monitors its IT service through the quarterly corporate services performance report, which covers areas of customer satisfaction and time to complete computer upgrades and installations. The ICT service is generally regarded as reliable and staff feel well supported, with some 85 per cent of help desk calls being resolved in one day against a target of 75 per cent. However, the council does not routinely measure the value for money of its ICT service as a whole. The council recognises that it needs to improve its IT infrastructure management to ensure availability and reliability, but there remains much to be done to ensure full resiliency across all critical systems.

89. The council's ICT service works closely with the Policy and Performance Team and supports the Customer First Programme

82. The council established its Member Officer Asset Management Group in June 2005 to take forward its approach to asset management. In April 2006, the group approved an asset management planning framework document (non-housing) that aimed to establish a clear understanding of current property provision and identify good practice guidance and actions for implementing effective asset management. This framework has a detailed action plan that identifies an appropriate range of improvement actions. However, progress against the plan has been limited, and the council is still in the process of obtaining data to allow an objective analysis of assets and help inform option appraisals.

83. The external auditor's 2006/07 annual report to elected members highlighted that the council's approach to continually valuing its housing stock based on Right to Buys sales is relatively unsophisticated, with no account being taken of variations in

value between wards or differences in size and state of repair of the properties sold. A full revaluation of the housing stock is required to update the value of these assets.

84. The report also highlighted that further progress is required to ensure that corporate strategies and objectives are properly supported by Asset Management Plans (AMPs) in the long term. The council was working towards development of a council-wide AMP by March 2007, but this is still to be completed. The council recognises that links between its asset management planning, capital strategy, option appraisal processes and capital and revenue budgets are currently underdeveloped. This has been identified as a high risk and is being monitored by CMT.

85. The council recognises the need to improve its maintenance of physical assets. There is a significant property maintenance backlog, considered to be in excess of £20 million, and lifecycle maintenance costs are not routinely programmed into new build.

board in implementing modernising government initiatives. The council's website is improving and beginning to include wider service applications. As an example, its library service website allows the user to browse the library catalogue, to access reference services, to track any library fines or books currently on loan and renew loans.

90. The council has identified change management as an area for improvement. It uses some good project management practice in managing its ICT programme. For example, the chief executive and senior elected members are members of the programme board, which oversees the council's Customer First programme. The council's recent guidance on project management and process improvement are examples of a strengthening focus on business improvement. However, it now needs to realise greater benefits, such as improved services and efficiency savings.

Managing procurement

The council is beginning to modernise its procurement approach but needs to increase the pace of improvement if it is to fully realise benefits arising from shared purchasing and e-procurement. It also needs to more effectively monitor and control its purchasing activity to identify further improvements and efficiency savings.

91. The council appointed a procurement officer in January 2006 and its procurement strategy has been in place since March 2006. This strategy is at the early stages of implementation. It recognises that the council needs to improve its approach to procurement and sets out an action plan which includes developing a procurement manual, developing management information and rationalising its supplier base. The council's procurement guidelines are comprehensive and include guidance on the equalities and sustainability implications of procurement.

92. The council participates in a number of procurement consortia arrangements, including as lead authority. For example, the council has access to purchasing contracts set up by the City of Edinburgh Council for a wide range of goods and services. It also has access to roads' materials and lighting equipment contracts set up by West Lothian Council. Access to these contracts is devolved to divisions, but the council lacks management information to provide an overview of the levels of spend through these contracts.

93. The council procures some 70 per cent of its electricity from green sources and is developing its procurement guidance to encourage the use of fair-trade products.

94. The council's procurement strategy notes that the council lacks the systems required to support effective procurement. In particular, it lacks monitoring arrangements to help it arrange shared contracts more widely across the council. The council currently has too many contracts with different suppliers. Divisions have devolved responsibility to set up new contracts, which has resulted in a number of duplicate or redundant contracts. The council is introducing a mechanism which requires divisions to justify their reasons for setting up new supplier contracts, and progress is being made in reducing the number of duplicate or redundant contracts.

95. The council's expenditure on one-off purchases amounts to over 15 per cent, or approximately £1.7 million, out of almost £11 million expenditure. This includes items such as specialist vehicles, equipment and IT supplies. The council recognises that it needs to better control and monitor its procurement activity to reduce the amount spent outside of established contracts at potentially less competitive prices.

96. The council has introduced a contracts register and a tender register, which is a positive move toward better monitoring information.

The council has made these available on its intranet to allow officers to see what contracts the council already has in place, and also to monitor progress with tenders. It is also participating in the Scotland Excel project.

97. The council's website provides a useful resource for potential suppliers, advertising current contracts and giving details of contracts awarded, along with an overview of the council's procurement policy and frequently asked questions. The council also applies good procurement practice through hosting supplier briefings during the tender process.

98. The council has not implemented e-procurement and is therefore not able to realise the potential efficiencies that this may deliver.

Managing risk

The council has a well-established risk management framework, which has been recognised through a number of awards. However, more needs to be done to ensure risks are being managed effectively. The council needs to ensure that risk management processes are applied consistently across the organisation.

99. Risk management has been developing well in Midlothian since 2004. The progress the council has made in improving its processes for managing risk is reflected in it having won a number of risk management awards in recent years. During 2005, the Association of Local Authority Risk Managers awarded the council both Risk Manager of the Year and winner of the Operational Risk category, while *Strategic Risk* magazine recognised the council as having the Best Approach in the Public Sector.

100. The council has strategic, operational and project risk registers in place. Strategic risks are monitored by CMT every six weeks and operational risks are monitored by divisional management teams and a corporate risk management group.

Risks are also integrated within council and divisional performance reports to elected members. There is a traffic-light system for identifying the nature of the risks within the divisional performance system and a six-monthly review process aimed at reducing and mitigating the major risks within its risk registers.

101. The council has set targets for reducing/managing these risks and progress is being made in reducing the higher risks. However, some divisional short-term targets have not been met. The council needs to further develop a culture where action is taken proactively to reduce/manage identified risks effectively. There are examples where this has not been the case, including risks in child protection processes that had been identified in 2005 but not addressed until after service failures were reported in HMIEs critical multi-agency inspection report in February 2007.

102. Internal audit plays an important role for the council in reviewing the risk management framework and processes, by examining the effectiveness of internal control systems. However, the council's 2006/07 annual external audit report highlights the need for internal audit coverage to be improved as it is unable to provide an explicit opinion on the adequacy of the overall system of internal control and predicts that this is unlikely to be resolved before 2008/09.

Managing competitiveness

The council uses benchmarking and some comparison of tender prices, but lacks a systematic process for testing competitiveness. The council contracts a proportion of its services to external providers, but major trading areas have not been subject to recent competition.

103. The council operates three statutory trading accounts for its building maintenance, roads maintenance and property investment activities. These have a turnover in

excess of £11 million, and for the three-year period to March 2007, all met the statutory objective to break even. Most of the council's other trading activities are managed from its commercial services division and include cleaning, catering, landscaping and construction services management. These activities are not formally identified as statutory trading accounts.

104. The council's in-house service providers undertake the majority (approximately 70 per cent by value) of its commercial routine revenue activities. The council tends to subcontract specialist activities, such as equipment maintenance, or activities where there is insufficient capacity within the council, such as the current social housing kitchen re-fit programme.

105. The council does not have a formal process to test the competitiveness of its commercial activities. A number of high-value areas, such as building maintenance and roads maintenance have not been market tested for ten years or more. It participates in benchmarking against other public sector providers but this information does not provide a full picture of current commercial practice.

106. The council successfully engages commercial expertise in its construction management projects. It contracts the majority of this activity to specialist agency staff or approved contractors. This ensures that it has access to industry expertise and the flexibility to meet a changing project-based workload.

107. The council recognises that it needs to strengthen its approach to ensuring the competitiveness of its services and a Best Value review of corporate competitiveness is currently under way. The council is aware that it needs to identify further areas that should be operated as trading accounts and to develop its benchmarking approach in commercial areas.

Equal opportunities

The council shows a clear commitment to raising the profile of equalities through its range of policies, the Community Planning Equalities Forum and by carrying out equalities impact assessments. It can better involve equalities groups in shaping services and is working with partners to address this. It needs to improve its monitoring arrangements to demonstrate that it is delivering equality across all its services.

108. The council's commitment to equal opportunities is reflected in its corporate values. It translates this commitment into specific requirements through a range of policies, including its Equalities Policy and Action Plan, approved by Cabinet in April 2005 and other complementary policies, such as the Managing Diversity Strategy, the Equal Employment Opportunities Policy and the policy on the Employment of Disabled People. As required by legislation, the council also has equality schemes on race, disability and gender.

109. The council provides support to the Community Planning Equalities Forum, which comprises senior representatives from the council and CPPs and is chaired by the Cabinet member for Best Value and Community Planning. The forum was created to coordinate equalities work across the CPP. The council's equalities working group comprises officers from each division and is responsible for delivering the council's equalities policy and action plan.

110. The equalities working group monitors equalities performance against the equalities action plan. Equalities performance information is also included in the council and divisional performance reports and the Community Planning performance report. Equalities information has predominantly focused on employment-related issues, but the council is beginning to address

service delivery equalities information. The first service delivery equalities report is due to go to CMT, PRC and Cabinet in May 2008.

111. The council has made progress in carrying out Equalities Impact Assessments (EQIAs) of existing policies and functions, covering all six equalities' strands (race, disability, age, gender, sexual orientation and religion/belief). During 2006/07, divisions of the council have carried out EQIAs for 24 corporate/divisional priorities but the assessments are of relatively limited value in highlighting the specific impact of policies and functions. The council has also found difficulties in meeting its original planned timetable for divisions to assess the equalities impact of their policies and functions. It has recognised that more time is needed to deliver the programme of EQIAs and that divisions need to be better skilled and confident in carrying out their assessments. As a result, it is planning to update its guidance, conduct more formal EQIA training for key staff and review its assessment timetable.

112. The council consulted two disability groups in preparing its Disability Equality Statement, although their involvement came at a relatively late stage in the development process. The council recognises the need to improve engagement with equalities groups and is tackling this through its community engagement strategy by, for example, creating mini citizens' panels for specific groups.

113. Midlothian's citizen's panel has 31 members from black minority and ethnic communities, which is broadly proportionate to the wider population. In 2005, the council used the citizens' panel survey to gauge public opinion on equality and discrimination. Results show that panel members believed discrimination occurs in Midlothian in respect of race (30.5 per cent), colour (23.1 per cent), ethnic origin (22.4 per cent), age (22.4 per cent), disability (15 per cent), sexuality (12.8

per cent), religious belief (11.9 per cent), employment status (11.9 per cent) and gender (10.5 per cent). This highlights some of the challenges the council faces in tackling perceptions about equality, and provides a useful baseline against which to measure its future progress.

114. SPIs for 2006/07 relating to equalities show that:

- the proportion of women among the highest paid two per cent of council employees decreased during 2006/07 from 29.3 per cent to 26.4 per cent, and remains below the national average of 33.9 per cent. The council ranks 28th of the 32 Scottish councils for this indicator
- the percentage of women in the highest paid five per cent increased from 36.6 per cent to 38.1 per cent, but remains below the national average of 40.4 per cent
- during 2006/07, the council slightly increased the proportion of its buildings that are physically accessible by people with disabilities from 60.2 per cent to 61.8 per cent. This is noticeably higher than the national average of 51.9 per cent.

115. Through its Managing Diversity Strategy, approved in June 2007, the council recognises a need to ensure that all managers and employees fully embrace and understand the equalities agenda. Through this strategy, it plans to establish a comprehensive equalities training programme, involving training for managers and supervisors, customer care and equalities training for front-line staff, and also equalities training for elected members. It aims to have implemented its strategy by June 2008.

Sustainable development

Council officers and elected members demonstrate a commitment to sustainable development. The council has identified a range of measures to make sustainability part of its planning and decision-making process. However, it needs to review the effectiveness of these measures if it is to demonstrate progress. Successful initiatives include recycling, the planning approach for sustainable economic development, and reduced energy use.

116. The council demonstrates a commitment to sustainable development. Its corporate and Community Planning objectives centre around the core social, economic and environmental aspects of sustainability, and it has nominated a cabinet member with responsibility for sustainable development. This role is supported by the director of strategic services. This anchors sustainable development with planning, economic development and transport, and within the wider corporate framework. As such, the council has a well-developed approach to incorporating sustainability into its planning processes.

117. The council committed to review its progress against its Sustainability Strategy Action Plan by March 2007, but the working group that was set up to oversee progress met for the first time in August 2007, a year after the strategy was launched. Work on the delivery of the Sustainability Strategy Action Plan has been incorporated into the work of the Climate Change and Sustainability Group, and the Conserving Midlothian's Environment Strategic Community Planning Group.

118. The council needs to review the effectiveness of its corporate approach to sustainability. While Cabinet papers include a statement of sustainable development impact, these are often superficial, for example, noting that 'sustainability

has been considered. This limits the opportunity for elected members to scrutinise the sustainability implications of council decisions.

119. The council's Best Value review guidance notes that reviews must recognise sustainability issues, but does not provide specific guidance on how to do this. There are examples of reviews using sustainability as one of the criteria to score options appraisals but, again, the approach is not well developed. However, the

council does seek to raise awareness in a number of ways, for example, through induction training for staff and members, and Best Value training.

120. The council developed a set of Quality of Life Outcome measures in December 2006 for its Community Planning activities. These are broad in scope and align with the Scottish Sustainable Development indicators, and are thus effective in illustrating sustainability trends in the wider community. The 2007-11 Community

Plan incorporates these quality of life indicators and progress will be monitored through the Community Planning process. The council also reports progress against aspects of sustainable development in both divisional and corporate performance reports.

121. The council has many good practice examples of sustainable development covering social, economic, and environmental dimensions ([Exhibit 11](#)).

Exhibit 11

Sustainable development initiatives

	Social	Economic	Environmental
<ul style="list-style-type: none"> Recycling of domestic waste has risen significantly to 31.8%, above the national average of 28.4% and the Government's 30% target for 2008. Around 80% of the population participate in waste recycling. All Midlothian Council offices have recycling facilities, allowing employees to recycle the same materials as the kerbside recycling scheme. The council estimates that 50% of waste is now being recycled. The council recycles roads construction materials, with 4,000 tonnes, or almost 90% of material being recycled in 2006/07. 		✓	✓
<ul style="list-style-type: none"> All new schools are designed to BREAAAM¹ 'Very Good' standard. 1,000 new social homes to be built to BREEAM 'Very Good' standard. Council has met its Energy Management Policy targets, achieving 3% annual reductions in the last three years and reducing water consumption by 31%. Local plan requires reductions of 15% in predicted CO² emissions of buildings. 		✓	✓
<ul style="list-style-type: none"> Of 42 schools, 43% accredited as Eco-schools and 57% as Health-Promoting Schools. All schools meet 'Hungry for Success' criteria. 	✓		✓
<ul style="list-style-type: none"> Biodiversity Action Plan (BAP) – approved September 2006 – partnership approach to monitor and protect habitats and species. Wildlife habitats and corridors will be created as part of Shawfair development to support biodiversity benefits. 			✓
<ul style="list-style-type: none"> All councils have signed up to Scottish Climate Change Declaration, and Midlothian is a member of the Carbon Trust's Local Authority Carbon Management Programme. Actions on climate change not fully developed. Staff travel policy being developed. 	✓	✓	✓
<ul style="list-style-type: none"> Wider sustainable procurement policy being developed. Council piloting fairtrade products and does not procure tropical hardwoods. 	✓	✓	✓
<ul style="list-style-type: none"> Shawfair – original masterplan an example of integrated, sustainable development. 	✓	✓	✓

Note: 1. Building Research Establishment Environmental Assessment Method – BREEAM, provides guidance on ways of minimising the adverse effects of buildings on the global and local environment through reducing energy usage both in the construction and management of a building.

Source: Audit Scotland/Midlothian Council

Part 3. How do services perform?



Service performance in Midlothian Council is mixed. The number of SPIs where the council performs well and can demonstrate improvement is broadly in line with the national average. Performance on educational attainment is improving, but remains below the national average. A number of aspects of adult social work have improved and the council has made progress in tackling fundamental weaknesses highlighted by HMIE in its joint inspection of services to protect children, published in February 2007.

The council's housing, planning and corporate management services all have a significant number of SPIs which rank in the bottom half of all councils in Scotland.

A significant number of challenges remain; school exclusions are high, waste collection costs are high and problems relating to the homelessness service are mounting. In addition, the council's approach to customer care and responsiveness is inconsistent.

Service performance

122. The Accounts Commission publishes a set of SPIs for each Scottish local authority. These do not give a comprehensive picture of performance across all services, but they do allow some comparisons to be made between councils and over time. **Exhibit 12** sets out Midlothian's performance against the SPIs. There are three measures where the council reports no service being provided.

123. Since 2004/05, 21 measures have improved by five per cent or more and 14 measures have declined by five per cent or more. The council's ratio of improvement to decline is 1.5, in line with the overall position across Scotland. Of the 15 indicators in the bottom quartile in 2006/07, seven were also in the bottom quartile in 2005/06.

Exhibit 12

Council profile of SPIs 2006/07: Number in each quartile by service area

	Upper quartile	Middle quartile	Lower quartile
Adult social work	6	7	5
Benefits administration	0	1	1
Education & children's services	4	3	1
Corporate management	0	8	4
Cultural and community services	3	7	0
Development services	0	2	0
Housing	0	9	2
Protective services	3	2	1
Roads & lighting	2	2	0
Waste management	2	3	1
Total	20	44	15
Scottish average	21	47	14

SPIs: Performance change between 2004/05 and 2006/07

	Measures that worsened by:			Measures that improved by:		
	>15%	10-14%	5-9%	5-9%	10-14%	>15%
Midlothian	8	4	2	2	5	14
Scotland average	7	3	4	5	4	11

Source: Audit Scotland

Delivering priorities

124. Our audit work focused on areas that:

- are closely aligned with some of the main challenges facing Midlothian and the council's key objectives
- provide services to the local community
- performed particularly well or poorly in the council's self-assessment
- have a high level of expenditure
- provide services to the council's most vulnerable citizens.

Education and community services

125. Education and community services delivers: education; sport and leisure; libraries; community safety; and regeneration services.

Schools

The council is investing heavily in improving the quality of its school estate. Educational attainment remains below the national average but there has been improvement, particularly among lower achievers. More effective action is required to tackle exclusions from school, which are comparatively high in comparison with other councils.

126. At the time of the audit, the council delivered education services through five nursery schools, 30

primary schools, six secondary schools, one special school for pupils with additional learning needs, and seven community learning and development centres. It also works in partnership with its private and voluntary sector providers for early years provision and childcare. To deliver education services, it employs around 1,660 staff, of which 1,050 are teaching staff, and has a revenue budget for 2007/08 of £68 million.

127. The council inherited a poor-quality school estate and is addressing this through a school rationalisation and refurbishment programme.

128. HMIE inspected the education function in 2001, with a follow-up in 2003. HMIE reported that the council had made a positive impact on important aspects of the work of schools, but also that it needed a continued focus on raising attainment.

129. Raising attainment and achievement and encouraging a greater take-up of higher education continues to be a council priority. For example, attainment in secondary schools (**Exhibit 13**) continues to be below the national average, although there has been improvement in recent years. In particular, noticeable progress has been made among the lowest-performing secondary school pupils. In 2002, the performance of the lowest-performing 20 per cent of pupils was significantly below the national average, but by 2006, attainment among this group had risen above the Scottish average. The council has achieved the national Closing the Opportunity Gap target of a five per cent improvement for this between 2004 and 2008.

130. The number of pupils excluded from Midlothian schools is relatively high, and increasing. Since 2002, exclusions from primary schools have increased significantly (from 53 to 73 days per 1,000 pupils) compared to only a small increase nationally (from 39 to 44 days per 1,000 pupils), and exclusions from secondary schools have increased (from 420 to 468 days per 1,000 pupils), in contrast to a decrease nationally (from

454 to 391 days per 1,000 pupils). The council needs to reverse this trend.

Community learning and development

The quality and impact of Community Learning and Development (CLD) services is improving. Effective work with partners is having a positive impact for adult learners but learning and development opportunities for young people need to improve.

131. In July 2007, HMIE reported on its CLD inspection of the Newtongrange, Mayfield, Easthouses and Gorebridge areas of Midlothian (this represents one of the four quadrants across Midlothian in which the council organises this service). HMIE's assessment against published indicators is shown in **Exhibit 14**. A copy of HMIE's report is available at: <http://www.hmie.gov.uk/documents/inspection/MidlothianCLD2007.pdf>.

Exhibit 13

Secondary school attainment 2006/07

Attainment	Midlothian Council	Scottish average
SQA attainment: % S4 roll gaining 5+ awards at level 5 or better by end of S4	31	32
SQA attainment: % S4 roll gaining 3+ awards at level 6 or better by end of S5	18	22
SQA attainment: % S4 roll gaining 5+ awards at level 6 or better by end of S6	17	19

Source: Scottish Government

Exhibit 14

HMIE's assessment of CLD against published quality indicators, 2007

Quality indicator	Judgement
1.1: Improvements in performance	Weak
2.1: Impact on participants (young people)	Weak
2.1: Impact on participants (adults)	Very Good
3.1: Impact on staff and volunteers	Good
4.1: Impact on the local community	Good
5.6: Engaging with the community	Good
5.8: Community influence	Good
5.9: Inclusion, equality and fairness	Good
6.3: Operational planning	Weak
7.2: Staff deployment and teamwork	Adequate
8.1: Partnership working	Good
9.3: Developing people and partnerships	Good

Source: HMIE, report on community learning and development in Newtongrange, Mayfield, Easthouses and Gorebridge, published 3 July 2007

132. Overall, HMIE found that the council has improved its processes and management of CLD since its previous inspection in other areas of Midlothian, showing lessons are being learned and applied across the service. However, there remain significant weaknesses in some areas, particularly improving opportunities for young people, performance management and operational planning.

Social work

133. The social work division operates with a revenue budget of around £32 million and around 536 FTE members of staff, and delivers services (community care; children's services; and criminal justice services) through two social work centres, three residential homes for older people, two adult day centres, one children's day centre and two residential units for young people. Around 65 per cent of services are commissioned from the voluntary and private sectors.

134. Social work services are scheduled for inspection by Social Work Inspection Agency (SWIA) in April 2008.

Community care

The council provides high levels of respite care but there is scope to improve the level of personal care for older people. It has recently approved a commissioning strategy to cover the significant proportion of the service that is contracted out and is carrying out a detailed review of homecare services.

135. Reductions in Supporting People funding and projected higher than average growth in the number of older people within Midlothian will bring sustained pressure on community care resources. The council has been taking some action to address resourcing issues, including: revising eligibility criteria for new clients (which it predicts will generate savings of around £500,000); approving a formal strategy for commissioning

services; and reviewing contracts with organisations that deliver its community care services.

136. The council has shown commitment to joint working with key partners to deliver more effective social work services. The council and NHS Lothian have recently introduced an integrated, modernised mental health service within Midlothian. It is also taking forward a collaborative project with East Lothian Council to develop a more person-centred approach to the design and delivery of learning disability services.

137. Published SPI data for 2006/07 highlights that many aspects of the council's community care services are performing well compared with other councils, including: a relatively high level of qualified care staff in care homes for older people; one of the highest levels of daytime respite care provided for older people; and relatively high levels of overnight and daytime respite care for adults aged 18-64.

138. Other aspects of community care compare less well, including among the lowest levels of personal care and weekend care for older people, and one of the lowest levels of residential accommodation with en-suite facilities for older people.

139. The council recognises the need to improve homecare services, in particular, having appropriately qualified staff and offering greater flexibility. The council, in partnership with the trades unions, has undertaken work to modernise the service, in line with recommendations from the 2005 Best Value review of domiciliary care.

Children's services

An HMIE joint inspection report in 2007 highlighted fundamental weaknesses in child protection services provided by the council and its partners. A follow-up report published in March 2008 shows the council is responding positively to addressing these weaknesses. However, the percentage of children made subject to a supervision order seen by a supervising officer within 15 days deteriorated significantly during 2006/07. In contrast, some care services for children compare well with other councils, with high levels of qualified staff and respite care for carers of children.

140. Across children's services, SPIs for 2006/07 show that there are elements of good performance, including: relatively high levels of qualified care staff in residential homes for children; and the highest and third-highest levels in Scotland of overnight and daytime respite respectively for carers of children (both of which are more than double the national average).

141. In February 2007, HMIE reported its multi-agency inspection of services to protect children and young people in Midlothian. This was a critical report that exposed significant weaknesses in child protection services, as shown in Exhibit 15. A copy of the report is available at: <http://www.hmie.gov.uk/documents/services/MidlothianSFCURep.pdf>.

142. Following publication of this report, there have been changes in senior staff and the council has made a number of improvements, for example, recruiting additional staff, creating new supervisory posts, and improving scrutiny mechanisms. It is also investing £800,000 in a new social work management information system and introducing new, stringent quality assurance arrangements, both of which should bring about a fundamental change to the way the service is managed.

Exhibit 15

HMIE's assessment of the effectiveness of services to protect children and meet their needs in Midlothian

How effective is the help children get when they need it?	
Children are listened to, understood and respected	Weak
Children benefit from strategies to minimise harm	Weak
Children are helped by the actions taken in response to immediate concerns	Weak
Children's needs are met	Unsatisfactory
How well do services promote public awareness of child protection?	
Public awareness of the safety and protection of children	Adequate
How good is the delivery of key processes?	
Involving children and their families in key processes	Weak
Information-sharing and recording	Weak
Recognising and assessing risks and needs	Weak
Effectiveness of planning to meet needs	Unsatisfactory
How good is operational management in protecting children and meeting their needs?	
Policies and procedures	Adequate
Operational planning	Weak
Participation of children, families and other relevant people in policy development	Weak
Recruitment and retention of staff	Weak
Development of staff	Weak
How good is individual and collective leadership?	
Vision, values and aims	Adequate
Leadership and direction	Unsatisfactory
Leadership of people and partnerships	Weak
Leadership of change and improvement	Weak

Source: HMIE Joint inspection of services to protect children and young people in Midlothian, February 2007

143. HMIE has completed an interim follow-through inspection to monitor progress against the seven areas for improvement identified in its February 2007 report. The follow-through report concludes that: *'Overall, services had responded quickly and positively to the main points for action in the inspection report.'* Elected members,

senior officers and social work staff have contributed to improvements in a number of areas, such as joint planning to meet children's needs, monitoring service performance and training staff. HMIE plans to carry out a full follow-up inspection by the end of 2008.

144. SPI data for 2006/07 shows a significant deterioration in performance in one children's services SPI, with only 29.1 per cent of children made subject to a supervision order by a Children's Panel being seen by a supervising officer within 15 days, compared to 90.1 per cent in 2005/06.

Criminal justice

Performance data shows that the council provides an efficient criminal justice service. However, persistent youth offending is increasing faster in Midlothian than elsewhere in Scotland.

145. SPIs show that the council provides efficient criminal justice services:

- During 2006/07, the council submitted 99.4 per cent of social enquiry reports to the courts by the due date. In the previous two years it had submitted 99.4 per cent of reports on time, equating to only one late report per year.
- During 2006/07, 98.9 per cent of new probationers were seen by a supervising officer within one week, the second-highest level in Scotland and well above the national average of 60.4 per cent.

146. However, published data highlights that the number of young people in Midlothian classed as persistent offenders doubled between 2003/04 and 2006/07. This is noticeably higher than the 19 per cent increase across Scotland over the same period, and is an issue that the council and its partners need to tackle urgently.

147. In 2005, SWIA published a performance inspection of criminal justice social work services for the Lothian and Borders area. Lothian and Borders is the largest grouping of authorities providing criminal justice services in Scotland, consisting of City of Edinburgh, East Lothian, Midlothian, West Lothian and Scottish Borders Councils. The inspection

examined the quality of assessments prepared for courts and the Parole Board, and assessed the standard of supervision of offenders on probation, community service and parole and non-parole licence.

148. The inspection found some real achievements in providing services, both across the consortium and within individual authorities, including well-established group work programmes, a specialist service for sex offenders and some consortium-wide quality assurance practices. It found few examples of poor practice and some examples of very good practice.

Commercial services

The council performs satisfactorily across its roads, environmental, property and catering services. However, it needs to monitor these activities more effectively to sustain performance in areas such as roads condition, road safety and property maintenance. The council has made good progress with recycling but its collection costs are higher than average. There have been delays in the council's construction programme, but it is now taking a more commercial approach.

149. The commercial services division is responsible for corporate priorities set out in the 2007/08 annual plan relating to increased recycling, roads maintenance, and major construction projects to support housing, social work and education divisions. It has a range of divisional priorities relating to maintenance and replacement programmes for its roads and asset infrastructure, fleet services, energy reduction, and improving management systems.

Waste management

150. The council has a lead role in the waste management PPP project involving the three neighbouring Lothian councils and the Scottish Borders Council. The council has made good progress with the first phase of this programme to introduce

kerbside recycling, with over 99 per cent of households now covered.

151. The council has improved its waste recycling performance significantly over the last three years. In 2004/05, the council recycled less than five per cent of the municipal waste that it collected, the lowest level of any Scottish council at the time. In 2006/07, the council was achieving 31.8 per cent recycling, ahead of its target 2008 date.

152. The council is aware that it needs to maintain public interest if it is to sustain this increase in recycling. It has been proactive in issuing a *Let's Recycle* guidance booklet and a recycling calendar to households.

153. Collection costs are significantly higher than in other councils. The council's collection cost per premises was £93.95 in 2006/07, compared to an average of £64.06 for councils with a similar mixed urban-rural geography and a national average of £58.13. The council needs to review why these costs are high and consider action to bring them down. Refuse disposal costs are lower than the Scottish average, reflecting a long-term contract with a waste treatment company until 2011.

Construction services

154. The division currently manages a major construction programme of around £40 million per year. The construction programme has been behind schedule in some areas and the council's approach to capital project management has been underdeveloped. It is now adopting a stronger business focus and has recently adopted a project management methodology to address this. The 2007/08 divisional plan recognises that the council needs to improve further by developing risk management, whole-life costing and cost reporting.

155. Despite initial delays, the council reports that it is on target with its house build programme. It is also

on schedule with its non-PPP school build programme for four new primary schools – a £16 million capital project that is part of the school estates management plan.

Roads

156. The council has a corporate target to maintain its roads condition at its 2005/06 level (34.7 per cent of roads requiring to be considered for maintenance treatment). The reported figure for 2006/07 rose to 40.8 per cent, although the council remains in the top quartile nationally for this indicator. The council needs to review its maintenance programme if it is to meet its roads maintenance target and address its maintenance backlog, estimated to be around £16 million.

Property management

157. Commercial services provide a property management and maintenance service to the council's social housing stock. During 2006/07, the council saw an increase in the numbers of response repairs carried out, with an average of 4.4 repairs per house, compared with a national average of only 3.3 repairs. This relatively high level of response repairs raises questions over the effectiveness of the council's planned maintenance programme.

158. In 2006/07, Midlothian classified 42.7 per cent of all repairs reported to its customer contact centre as emergency repairs, above the average of 36.6 per cent across Scotland. This incurs additional costs.

159. This was confirmed by the council's mock housing inspection, which quoted Scottish Housing Best Value Network benchmarking data indicating that, in 2005/06, average response repair costs in Midlothian were around £600 per house, compared to around £384 across the majority of Scottish councils. The same benchmarking data showed the council's expenditure on empty houses to be exceptionally high, at £3,598 per house during 2005/06, compared to an average of £1,537.

160. The council recognises the need to examine the costs of this activity more closely and to review the repairs service, including the balance between planned and responsive repairs, and the way its contact centre prioritises repairs.

Housing

The council fulfils its strategic housing role effectively, responding positively to meet housing need. The council has recently undergone an inspection by the Scottish Housing Regulator (SHR). It needs to tackle significant weaknesses in delivering its housing management and homelessness services.

161. The council estimates that there will be a shortfall of around 1,800 affordable homes in Midlothian by 2009/10, based on a study of housing needs. In response, it is building 1,000 new council houses in a £105 million programme and working with registered social landlords and private developers to deliver an additional 800 affordable homes. The council's own house building programme begun in May 2006, with the first homes completed in spring 2007.

162. The council's average weekly rent was £41.29 in 2007/08, the third-lowest in Scotland. Until recently, the council actively set the lowest council housing rents in Scotland, by freezing rents in 2002/03 and 2003/04. Since 2004/05, it has increased average rents by 22 per cent over three years to help fund its new house building programme. As required by legislation, the council consulted with tenants over rent increases, but both the information it provided and the process of consultation were limited against the scale and nature of the changes. As a result, the council cannot demonstrate that decisions on the level and structure of rent increases have been made after taking into account the views of tenants.

163. The council's housing management and homelessness services were inspected by the SHR during January and February 2008. The Regulator assessed the council's asset management and repairs service to be good, but its housing management and homelessness services to be poor.

164. The SHR found that the council has good strategic plans for its asset management and repairs service and a system to allow it to effectively monitor performance. The performance of the asset management and repairs service has recently improved and there is a firm focus within the service on continuous improvement. The council does not carry out a regular tenant satisfaction survey but it is acting to develop tenant participation. It has introduced initiatives to reduce expenditure and reliance on bed and breakfast accommodation as a solution to homelessness, but does not have a strategy for monitoring their effectiveness and value for money.

165. The inspection identified that housing management and homelessness planning and performance monitoring demonstrated significant weaknesses. The council has not effectively implemented the improvement actions recommended in its mock inspection in 2006, and its focus for tackling homelessness has been to increase supply rather than improving the day-to-day service. The inspection also found that the council does not monitor complaints or use them to drive improvement.

166. Full details of the SHR's findings and recommendations are available in its inspection report, available at: www.scottishhousingregulator.gov.uk/stellent/groups/public/documents/webpages/shr_inspectionreports.hcsp.

167. SPI data for 2006/07 shows the council's performance in delivering a number of important housing services

has deteriorated over time and compares poorly with other councils. For example:

- Current tenants' arrears have increased significantly from 6.3 to 9.5 per cent since 2003/04, in contrast to a decline nationally over the same period. This is well above the national average of 6.7 per cent. Over the same period, the proportion of tenants with serious arrears has also increased significantly each year. At 8.9 per cent, the council has the third-highest proportion of serious arrears nationally, more than double the national average of 4.4 per cent.
- Although the council's average time to re-let its houses was better than the national average, it re-lets a relatively low number of its houses quickly (30.2 per cent re-let within four weeks compared to a national average of 47.7 per cent).
- In 2005/06, the council significantly improved the average time taken to complete its homelessness duty from 56 days to 15 days. However, this improvement was not sustained in 2006/07, with the average time nearly doubling to 28.4 days. This is noticeably above the national average of 18.6 days and is the third-slowest time nationally.

Strategic services

The council is making good progress with its local plan through effective consultation. It has addressed a recent decline in its planning applications performance but needs to continue to improve to meet increasing demand. The council and its partners have lacked clear targets for its economic and transport strategies, but they are addressing this with clearer monitoring frameworks. While there have been delays in major development projects, progress is now being made with transport and town centre improvements.

168. Strategic services includes strategic and local planning, building standards, transport policy and public transport, economic development, environmental health and trading standards. On the basis of our risk assessment, we have focused in particular upon planning, transport and economic development services.

Planning

169. The council has up-to-date development plans to ensure that planning development is supported with a long-term vision for the area and it has used effective and innovative approaches to consult the public over the local plan.

170. Recruitment difficulties have affected planning performance, with the percentage of applications processed within two months falling to 60.9 per cent in 2006/07 from 70.7 per cent the previous year. The council has now addressed this through a successful recruitment campaign and salary review to attract experienced applicants. It has also used short-term agency staff to process a backlog of applications. The performance report for 2007/08 confirms a recovery in performance, with 69.5 per cent of all applications being processed within two months but this is still short of the council's target of 80 per cent.

171. Midlothian is experiencing a rise in development growth, and new house build completions are expected to increase from a current level of some 300 per year to around 1,000 per year from 2008 onwards. This places particular pressure on the non-householder planning application service. Midlothian Council completes only 40 per cent of non-householder planning applications within two months in 2006/07, although this has risen to 48.9 per cent in 2007/08.

172. The building service is falling short of its target to assess 70 per cent of building warrant applications within 15 days, achieving 53 per cent in 2006/07. However, this has improved in the last financial year,

Exhibit 16

Shawfair: Planning for sustainable social and economic development

The Lothian Structure Plan allows for the major urban expansion (5,000 houses, 30 hectares' business land) within the South-East Wedge. The Shawfair Local Plan relates to the Midlothian part of the Wedge, and sets out a proposal for a new community with a town centre and public transport interchange at its heart.

Midlothian and Edinburgh Councils have worked jointly on issues relating to the South-East Wedge as a whole. In 2001, they set up a joint venture company, Shawfair Developments Ltd (SDL), comprising City of Edinburgh Council, Midlothian Council and Miller Ventures, to lead new developments. SDL has prepared the outline planning application and master plan to meet proposals in the Shawfair Local Plan 2003 to build 4,000 houses plus associated community, commercial, employment and transport facilities. The participation of a commercial developer helped to ensure a practical and viable proposal, that conforms to the councils' development requirements.

Scottish Natural Heritage has advised on landscape, access and sustainable development aspects of the project. Involving the community at an early stage through the local plan consultation process, has brought out issues that the partnership has been able to integrate in its proposals. The environmental planning and social justice benefits of the project were commended in the Scottish awards for Quality in Planning 2001.

Source: Audit Scotland

achieving 74.6 per cent in the final quarter of 2007/08. The council received a satisfactory Scottish Building Standards Agency audit in November 2006. Follow-up improvements include the need for improved customer consultation and workload monitoring.

Economic development

173. During the time of our audit, a Midlothian Economic Development Framework, developed in partnership with Scottish Enterprise Edinburgh and Lothians (SEEL), was agreed. The framework sets the economic vision for the area, including an ambitious target of attracting 10,000 new jobs by 2020 and building on initiatives such as the Edinburgh Science Triangle. The council recognises the need to set more specific targets and a clear monitoring framework to measure success, important aspects that were not well developed in its previous economic and transport strategies.

174. Through its joint Midlothian Training Services Programme the council has developed effective joint working arrangements with partners, including Jewel and Esk College. This programme has exceeded the target of 50 per cent of people completing employment training gaining jobs.

175. The council is working to create better opportunities for economic development in various ways, such as: allocating over 30 hectares of sites and premises to support business development in 2006/07; investing in town centre improvement projects in Bonnyrigg and Dalkeith; securing over £50 million of developer contributions from the Shawfair development ([Exhibit 16](#)); supporting the Waverley Line lobby; and approving its Local Plan and Local Transport Strategy 2007-10, both of which align with the economic development framework.

Customer care

The council's approach to customer care is inconsistent. It needs to improve the quality and range of services provided by its contact centre and through its website. The council has only recently begun to monitor complaints corporately, and the data is not yet fully reliable. The council has in place a set of corporate customer care standards but needs to implement customer care training.

176. In June 2006, the council approved a Customer First Strategy, which sets out its programme for customer improvements and modernisation. This includes a range of projects to improve customer contact and gauge customer satisfaction, and to generate greater efficiency in delivering services, through the use of improved technology and shared services.

177. The Customer First action plan has proved too large and ambitious for the council to deliver, with many actions not progressing as planned and others without clearly defined targets. At the time of our audit, the council was in the process of reducing and prioritising its plan, but had been unable to achieve this by its planned date of September 2007.

178. In November 2005, the council opened its contact centre, Contact Midlothian. The contact centre aims to improve telephone and email contact with customers, and provide more efficient solutions to direct customer services. However, at the time of our audit it had no up-to-date information about performance. Monitoring data for January 2007 showed only around half of its 10,000 monthly calls were answered. In February 2007, this had risen to 80 per cent, although there is no monitoring data available for call answering. The council is procuring a new telephony system which will enable more detailed call analysis. The council measures call-handling performance against customer care

standards on a quarterly basis. In June 2006, only 25 per cent of calls met the recognised standard, but this had improved to 100 per cent by February 2007 and has been maintained at this level since then.

179. The council recognises the need to improve the performance of Contact Midlothian and the opportunity to extend the relatively limited range of services it provides. In February 2008, Cabinet approved additional funding to extend the range of services provided by the contact centre. To improve customer care, the council should give a high priority to completing the documentation of all processes for the services it provides.

180. The Citizens' Panel survey in May 2006 highlighted some demand for increased opening hours, with half of all respondents in employment expressing a preference for visiting the council outside current opening hours. In addition, each of the council's offices provides different services, with no one-stop shop service available. The council needs to give greater consideration to improving access for customers who prefer to visit council offices as this does not feature in its plans.

181. Feedback, the council's scheme for handling comments, compliments or complaints, is well advertised but the process for recording and monitoring complaints is ineffective. Corporate performance reports became available for the first time in January 2008, although the council recognises that some of the data is still unreliable. The need to address information on response times and the nature of complaints to support continuous improvement, is highlighted by:

- Over a third of respondents to the Citizens' Panel survey in May 2006 who had made a complaint to the council expressed an overall feeling of dissatisfaction with the procedure for dealing with their complaint.

- The Scottish Public Services Ombudsman made recommendations, in August and October 2007, that the council tighten up its complaints procedures and provide adequate training for staff.

182. In September 2005, the council re-launched its website: www.midlothian.gov.uk The website is an increasingly popular way for people to access council information, and the council has developed transactional capability on the website for paying council tax, rents and invoices, and ordering bulky refuse uplifts. It can develop this further to provide a much broader range of online services.

Part 4. What needs to improve?



Midlothian Council faces a challenging improvement agenda with limited resources. The council generally knows where improvement is required and has work under way in most of these areas. It needs to build on progress through engaging with staff, communities and partners to maximise the capacity available to deliver improvements. It also needs to set clearer priorities linked to available resources, as improvement plans have often proved unachievable.

Significant challenges remain at both the strategic level in regenerating the area, for example, developing the local economy, raising skills levels and providing affordable housing, and also in delivering a number of core services. In particular, improvement is needed in aspects of social work, educational attainment, housing management, minimising waste collection costs and tackling high exclusions from schools. In addition, the council's approach to customer care and responsiveness needs further development.

Over recent years, the council has been putting in place new systems to support continuous improvement. It needs to support implementation of these systems with effective leadership and a stronger improvement culture to address areas of weak performance.

183. Continuous improvement in public services and local governance lie at the heart of the Best Value and Community Planning policy framework. Elected members and officers must focus upon 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 service performance is constructively challenged.

Midlothian Council's improvement agenda

- Elected members and senior officers need to provide clearer focus on Best Value and support for continuous improvement.
- Implement plans to improve key services, particularly housing management, educational attainment and child protection services.
- Strengthen its strategic approach to Community Planning.
- Ensure that scrutiny arrangements consistently provide members with timely information about service performance.
- Address the organisation's major people management issues, through more effective workforce planning, implementing the Single Status Agreement and action to tackle sickness absence.
- Improve customer care by fully implementing the Customer First Strategy action plan, addressing significant weaknesses in Contact Midlothian, using complaints to support improvement and rolling out customer care training.
- Continue to develop performance management systems and roll them out to all levels of the council and Community Planning partners.
- Improve efficiency by making better use of procurement, options appraisals and improvement activity, such as Best Value and efficient government reviews.
- Continue to implement the community engagement strategy, paying particular attention to involving equalities groups, and better coordinate consultation exercises across the organisation.
- Improve Public Performance Reporting in relation to Community Planning.
- Continue to improve equality monitoring information for services, in line with statutory requirements.
- Complete implementation of the Sustainability Strategy action plan and review the effectiveness of corporate processes used to support sustainable development.
- Complete a council-wide asset management plan and ensure that corporate strategies and objectives are properly supported by long-term asset management plans that properly reflect their value and ongoing maintenance costs based on effective condition surveys.

184. Midlothian Council has invested in improvement tools and processes in recent years. However, it still faces a challenging improvement agenda and the council has in the past been unrealistic in setting improvement objectives and delivery dates. Senior officers and members need to demonstrate stronger leadership of improvement activity.

185. During the period of the audit, the council experienced important changes in its management arrangements through a restructuring

exercise, changes in membership of the CMT, a change of council leader and changes in the political balance of the council following the May 2007 elections. These changes present opportunities for the council to increase the pace of improvement.

186. While the council works effectively with its strategic partners on a range of projects and services, Community Planning arrangements have not, so far, fulfilled their potential. The CPP needs to ensure that it is making the most effective

use of its collective resources to deliver its planned outcomes. The council is embracing joint working with neighbouring councils on a waste management PPP project and it needs to explore opportunities in other service areas.

187. The council's service performance is in line with the Scottish average, but there are important areas that need improvement, including aspects of social work, educational attainment, housing management, waste collection costs, high exclusions from schools and increasing homelessness. In addition, the council's approach to customer care and responsiveness, including handling complaints, needs further development.

188. The council is aware that improvements are required and its audit submission identified many of these. The proposed improvement agenda is intended to assist the council in identifying 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. It is important that the plan is owned by elected members and the executive team, with leading members, the chief executive and directors each having assigned responsibilities for implementing actions.

Midlothian Council

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