Best Value 2 pathfinder audit

Scottish Borders Council

AUDIT SCOTLAND

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 44 joint boards and committees (including police and fire and rescue services).

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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Commission findings

1. The Accounts Commission accepts this report from the Controller of Audit on Scottish Borders Council's performance of its statutory duties on Best Value and Community Planning. The Commission accepts the Controller of Audit's judgements that, in respect of these duties, the council is improving well and that it is well placed to deliver future improvement.

2. The Commission gratefully acknowledges the co-operation provided to the audit team by the leader, elected members, chief executive and other officers of the council and its community planning partners, in particular for their constructive approach to being a pathfinder Best Value 2 area. The Commission also gratefully acknowledges that this report arises from work conducted in close co-operation with colleagues from other local government inspectorates.

3. The council benefits from strong political and management leadership, and has effective governance. The council delivers services which are generally of good quality, have improved in recent years and are well-regarded by the local community. The Commission particularly welcomes evidence of good and improving service delivery within social work and education services.

**4.** The council works well with its partners and we welcome evidence of effective collaboration on services such as health improvement, jointly-provided social care, community safety and child protection. This effective partnership working is achieving good outcomes for the local community. We welcome particular notable examples of partnership working such as the co-location of services in Peebles and the equalities and diversity officer jointly funded with NHS Borders. The council is working more closely on shared services with other authorities in the east of Scotland, but this is still at the planning stages and has not yet had a significant effect on service delivery.

5. The council has a good awareness of its own capacity and need for improvement, and has set out a clear strategic direction. It has a coherent business transformation programme, although progress against it has been slower than anticipated. We also note that progress has been slow on improvement on some important areas highlighted in the 2007 Best Value audit of the council, such as regulatory and technical services, roads and asset management. The council needs to ensure that it has the capacity to deliver its programme.

6. The Commission particularly welcomes the council's simplified staff grading system, which will potentially increase opportunities for more flexible working and development. Workforce planning and staff appraisal do, however, need to be further developed and applied across the organisation.

7. We would urge the council to ensure that it develops fully the mechanisms for testing and scrutinising value for money across its services, and its capacity to present robust options appraisal. It has set a very challenging efficiency savings target, and its processes for managing performance need to become firmly established to support the delivery of this target.

8. The issues identified in this report will inform the Assurance and Improvement Plan for scrutiny of Scottish Borders Council over the next three years. Local audit and inspection teams will continue to monitor progress.

Part 1. What is the BV2 audit?
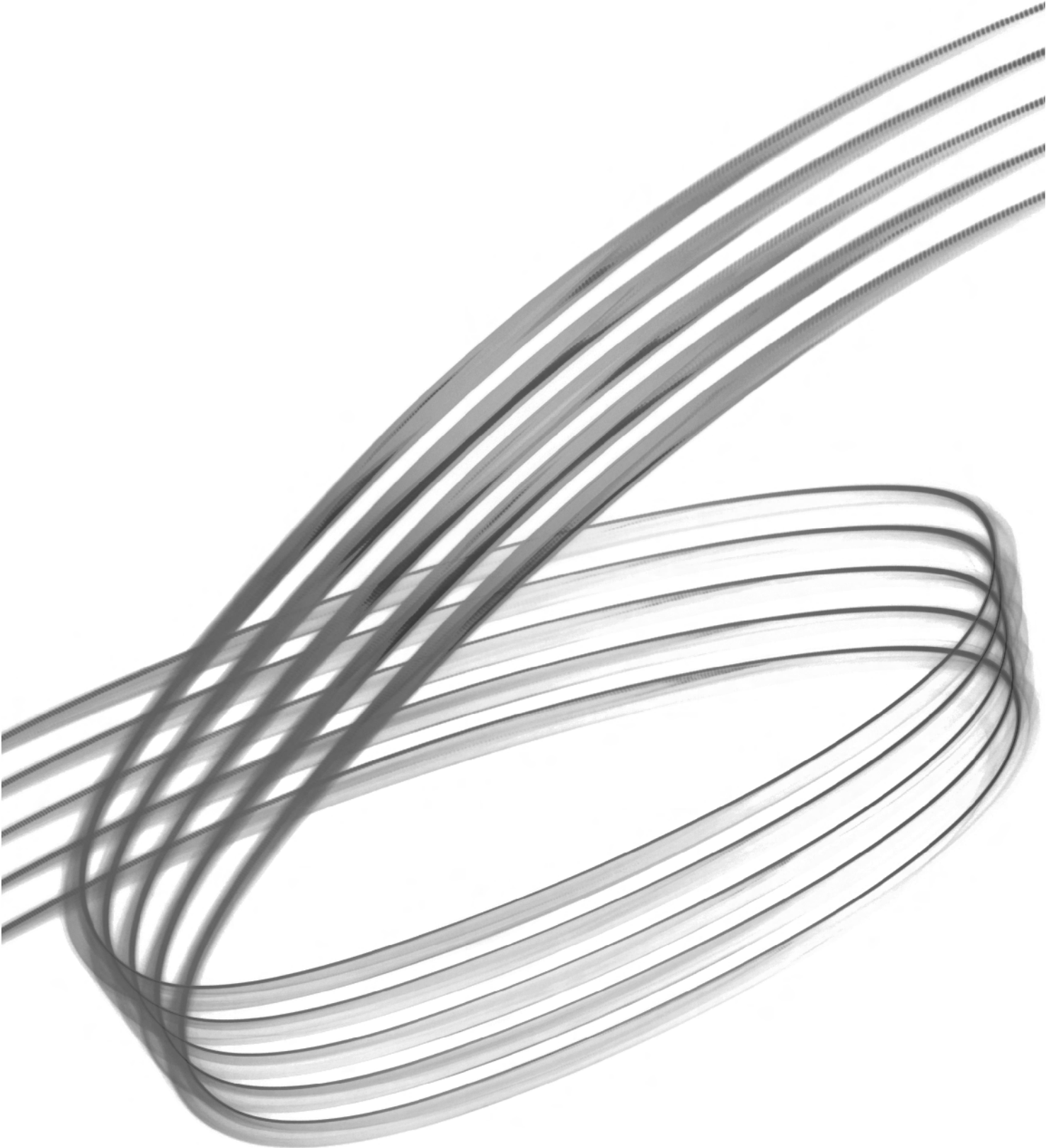
Best Value 2

1. The statutory duty of Best Value in local government was introduced in the Local Government in Scotland Act 2003. In response, the Accounts Commission consulted on, and implemented, the audit of Best Value and Community Planning. The Commission has now published a first phase of Best Value audit reports on all 32 councils in Scotland. Audit Scotland carries out Best Value audits on behalf of the Accounts Commission.

2. Best Value 2 (BV2) is the next phase of Best Value audit. Its approach has moved on significantly from the first phase, which provides a baseline for how Scottish councils are performing. But it is carried out and reported under the same legislative framework. In particular, BV2 audits are:

- more proportionate and risk based, that is, the audit activity in each local council will reflect more closely the particular issues faced by the council and its partners

- founded on a shared risk assessment process that involves colleagues from other local government inspectorates, particularly Her Majesty's Inspectorate of Education (HMIE), the Social Work Inspection Agency (SWIA), the Scottish Housing Regulator (SHR), the Care Commission and NHS Quality Improvement Scotland (NHS QIS)

- more focused on impact and outcomes

- designed to provide a more rounded view of partnership working in a local area, and the difference it is making.

3. BV2 is an important part of the wider scrutiny arrangements in councils in Scotland. Audit Scotland is continuing to work closely with other inspectorates to undertake a shared risk assessment process for all 32 local authorities, which will result in each council receiving an Assurance and Improvement Plan (AIP). The AIP will set out the scrutiny activity that the council can expect to take place over a three-year period, from April 2010.

4. After consulting on its proposals for BV2, the Accounts Commission asked Audit Scotland to develop the BV2 audit in a number of pathfinder sites. These will frame how the rest of the BV2 audits should develop.

5. The Accounts Commission chose five councils to act as 'pathfinder' audits to test various aspects of its proposed approach to BV2. The five councils chosen as pathfinders provide a mix of geography, size and urban/rural mix, namely:

- Angus Council

- Dundee City Council

- East Ayrshire Council

- The Highland Council

- Scottish Borders Council.

6. The Accounts Commission is currently evaluating the BV2 pathfinder process and will be using the findings to refine the audit process before rolling out BV2 later in 2010. We would like to thank the council for the constructive approach it adopted to being a BV2 pathfinder audit site.

Shared risk assessment

7. In order to shape the scope of the BV2 audit, we have worked closely with inspectorates, and in June 2009 undertook a shared risk assessment of Scottish Borders Council. This ensured that our audit was proportionate and risk based, and focused on the areas where it could add most value. The council's own approach to self-evaluation is an important part of this process.

The initial BV2 audit shared risk assessment was updated in early 2010, as part of the roll out of the shared risk assessment process to all 32 councils in Scotland. As part of ongoing partnership work with other scrutiny bodies, the issues arising from this audit and other audit and inspection activity have been fed into the council's AIP.

8. Having undertaken the risk assessment for the BV2 audit, we were able to scope our on-site work in the council quite tightly. The main reasons for this were:

- positive recent inspection reports and feedback from the inspectorates gave assurance in areas including social services, education, and services to protect children and young people

- the Audit Scotland external audit team submitted their audit report to elected members and the Controller of Audit in September 2009, covering many areas of Best Value

- the council's major improvement programme – the Business Transformation Programme (BTP) – is wide-ranging and of fundamental importance to the organisation as a whole. This, combined with the concerns expressed in the first Best Value audit over the council's capacity to deliver, highlighted the BTP as a major focus for the audit

- economic development is prominent in the council's outcome objectives and is of particular relevance in the current economic climate, both as an example of partnership working and of how the council manages its work towards achieving outcomes.

**9.** The BV2 audit scope comprises the following main elements:

- Review the progress being made by the council in its change programmes, and its capacity to deliver objectives and planned efficiencies.

- Examine corporate assessment areas, particularly performance management, and the strategic use of resources including workforce planning.

- Review the arrangements in place to support the delivery of the council's objective of a 'robust and dynamic economy'.

About this audit report

10. The first Scottish Borders Council Best Value report was published in March 2007. The Accounts Commission's findings reported that the council was ambitious, and demonstrated effective leadership, Community Planning and joint working. It noted good progress in response to earlier inspectorate findings; strengthened senior management capacity; and improved governance and management processes. Service performance was mixed and it identified a gap between the performance of the council and its ambitious improvement programme. The Accounts Commission stated that the council needed to focus on its capacity to deliver a very ambitious improvement programme. Areas for improvement included asset management and procurement, customer care, competitiveness and roads and planning services.

11. The BV2 audit in Scottish Borders was conducted between June and December 2009. The initial risk assessment and scoping phase took place during July and August, with the on-site audit work taking place in October 2009. Audit Scotland has worked closely with colleagues from other inspectorates in assessing the risk associated with the council.

Part 2. Summary performance assessment
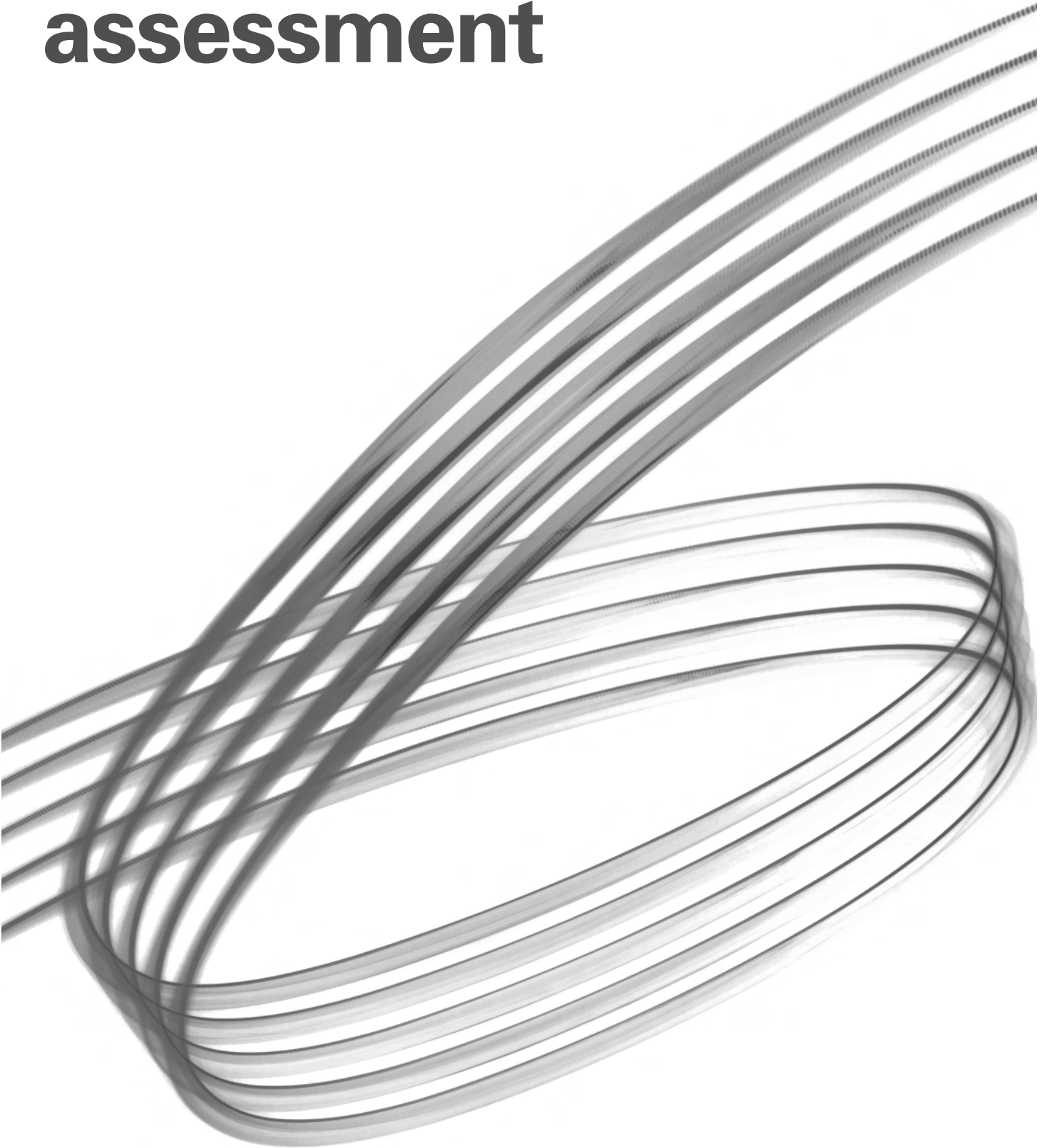
Summary conclusions

12. The BV2 performance assessment provides judgements on two aspects of council performance. Appendix 1 summarises the framework for constructing the two new BV2 judgements of 1. Pace and direction of change, and 2. Prospect for future improvement. In summary:

- The council is **improving well** in its pace and direction of change. The council and its partners are making progress on delivering local outcomes. A comprehensive improvement programme is in place. Services have improved overall, and the inspectorates have noted good service delivery and management within social work and education services. Customer satisfaction is significantly above the national average. Areas for improvement include testing the competitiveness and value for money of activities more consistently across the council.

- The council is **well placed** to deliver future improvement. It has strong and consensual political and managerial leadership, and it demonstrates effective governance and partnership working. It has a far-reaching improvement programme in place. This is taking longer than anticipated to deliver, but the council is making progress and is strengthening its capacity for improvement. Some significant improvement areas remain ongoing including a major review of planning, technical and economic development services, and important corporate management areas – including workforce planning, asset management and the need to embed the council's performance management process.

13. The following paragraphs outline these two judgements in more detail.

14. Scottish Borders Council is **improving well** in its overall performance and in the pace and direction of change of its services. In particular:

- The council and its partners are making progress with local outcomes, particularly in social work and child protection services, lifelong learning and local regeneration projects. In common with other councils it needs to develop more effective outcome monitoring.

- Social work and child protection services have recently received good inspection reports, and the Scottish Household Survey (SHS) indicates that customer satisfaction is significantly above the national averages regarding the council's service quality and its use of money. Service performance as measured by the statutory performance indicators is generally in line with the Scottish average, and the council's overall rate of improvement has improved significantly since the initial Best Value audit in 2007.

- The council has an ongoing major review programme of modernisation, service improvement and organisational restructuring (its Business Transformation Programme (BTP)). This has been under way since 2007 and has made progress but is taking longer to implement than anticipated.

15. Progress with the BTP includes: bringing together children's services previously managed by education and social work departments into a jointly managed service; putting in place measures to share head teachers between primary schools, and opening three new high schools; introducing customer services centres and rationalising front-line offices; implementing a simplified employee pay system to comply with equal pay and single status; and the council's vision for redesigned care services for

older people and the associated public consultation.

16. The council tests the value for money of its services in certain trading areas and through its review activity. However, it does not yet have a process for testing and scrutinising value for money across the council as a whole. It must also improve its processes for ensuring that it delivers its efficiency targets.

17. The council is **well placed** to deliver future improvement. In particular:

- Political and managerial leadership is strong and elected members and senior officers have a good working relationship. The council and its partners work well together and have a sound understanding of the local area and the needs of communities.

- Overall, governance arrangements are effective, including resource management and scrutiny. Executive members are closely involved in budgeting, and the budget process is informed by the BTP. The council needs to develop a more strategic approach to managing its resources, and it has identified workforce planning, procurement and asset management as priorities for continued development.

- The council's performance management and planning process is being developed following the introduction of the Single Outcome Agreement. It must now embed these changes, including reporting to committee, and monitoring its improvement and efficiency programme.

- The successful delivery of the council's BTP is essential if the council is to meet its efficiency and service objectives. Significant areas of the programme are ongoing, and at the same time it has expanded. The council has strengthened the governance

of this programme and has put in place supporting measures to improve its overall management. These arrangements have not been in place long enough to demonstrate their effectiveness.

- The council works well with its partners and has a number of jointly provided services in place. These include services for mental health and learning difficulties, community safety, and a co-located criminal justice service. It also works well with local partners in town centre regeneration projects. The Community Health Care Partnership (CHCP) has made progress with joint commissioning teams for mental health, drugs and alcohol-related services. Local partners must continue to pursue further opportunities for joint working, particularly in the face of limited resources.

- Overall job satisfaction in the council is high. There is less satisfaction with the council as an employer, and with the management of change. The council needs to ensure that it is aware of, and manages, the impact of change on its employees.

Part 3. Areas for improvement
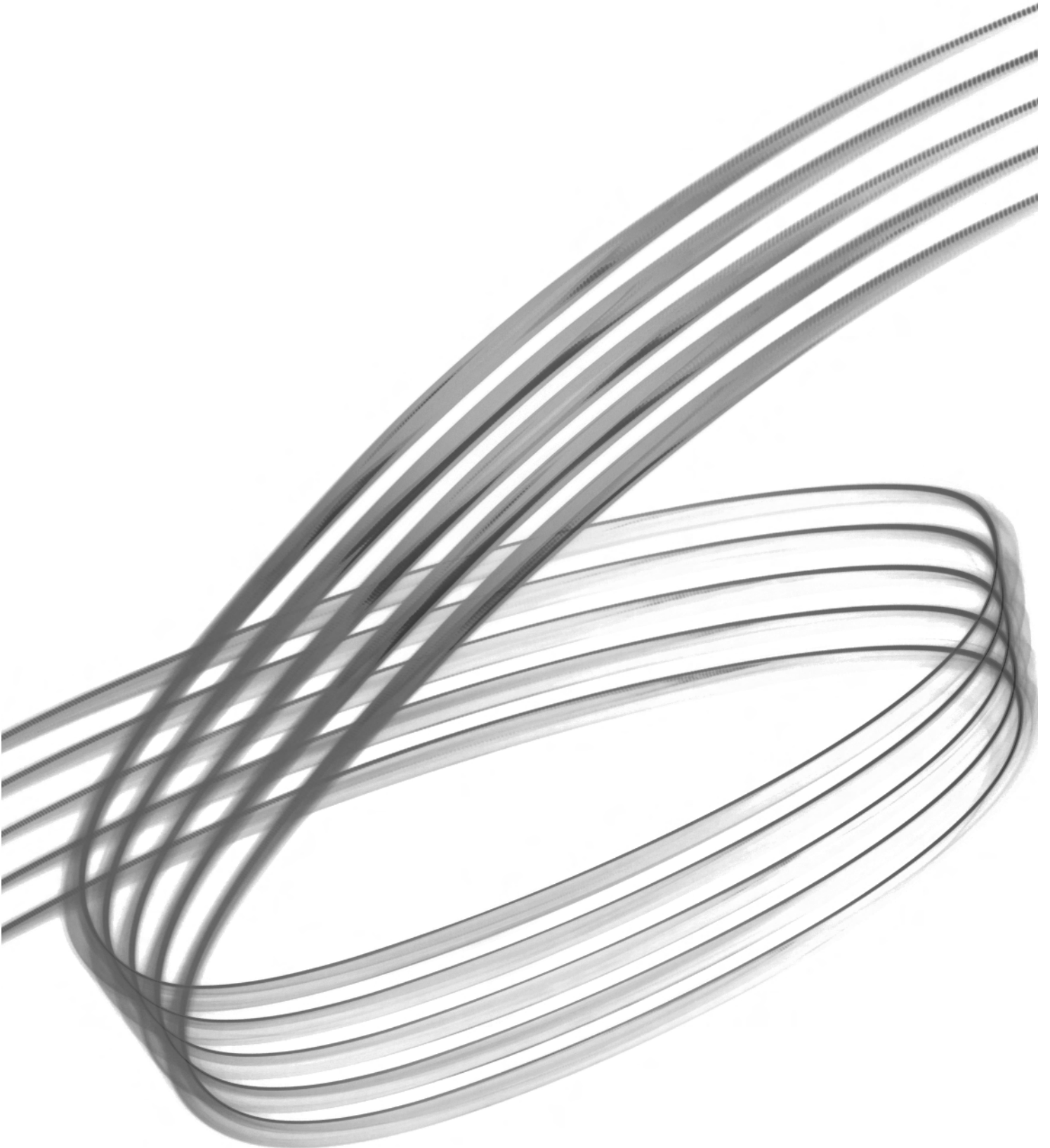
The council's improvement and efficiency objectives are dependent on the successful delivery of the BTP. The council has made some good progress but has not met its planned timescales. It has taken measures to improve the overall management of the programme and to improve performance management across the organisation. It must ensure that these measures prove effective.

18. The council has an extensive improvement programme in place covering a range of corporate and service objectives. It must ensure that it has the capacity to deliver its priorities to meet its improvement and efficiency objectives within the planned timescales.

The following areas are highlighted as priorities for the council:

- Monitor the effectiveness of the revised board and management structures for the BTP to ensure the effective delivery of the programme.

- Ensure that the capacity is in place to deliver the council's improvement and budget priorities. Identify clear overall council priorities as necessary from the BTP, council priorities statement, corporate improvement areas and shared services programme, to ensure that available resources are directed to best effect.

- Implement effective performance management in line with ongoing developments including self-evaluation and public performance reporting.

- Develop a clear process for identifying and monitoring service improvements and efficiencies.

- Consolidate good practice across the organisation in areas such as project management, communications, consultation, resource management and workforce planning.

- Ensure that scrutiny remains effective in the light of changes to the performance management process and the need for difficult decisions in the current financial climate.

- Ensure that progress against economic strategies and action plans is monitored and reported. Continue to work towards more effective reporting of economic outcomes.

Part 4. Local context
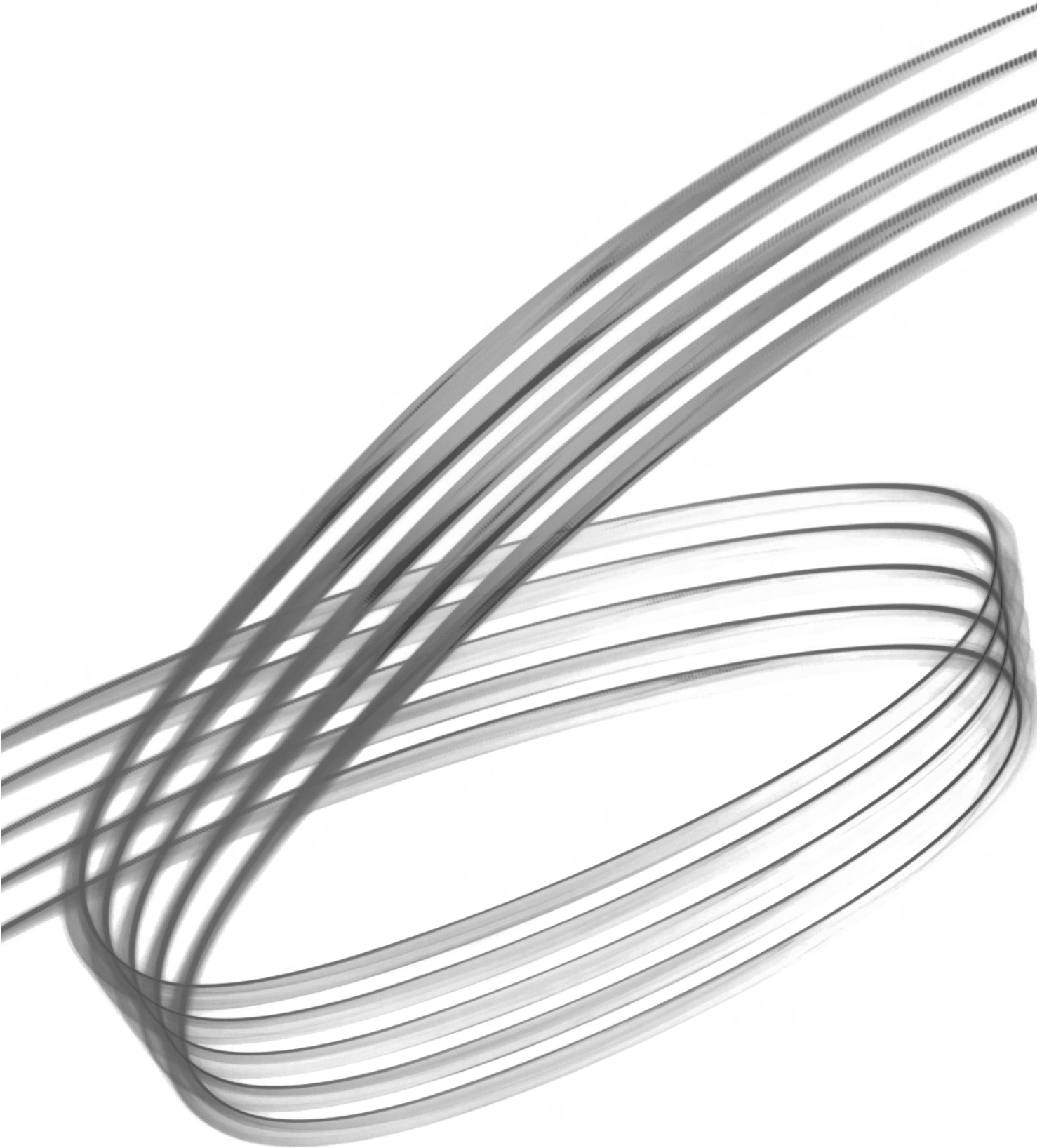
Scottish Borders

The Scottish Borders benefits from relatively low levels of deprivation in terms of health and poverty, but faces challenges from its dispersed settlements, its growing elderly population and limited opportunities for those leaving education. The economy is largely dependent on the public sector, agriculture, traditional industries and small businesses. The local priorities identified by the council and its partners are well matched to the local context.

Exhibit 1
Scottish Borders map

Source: Audit Scotland

19. The Scottish Borders (Exhibit 1) covers an area of approximately 1,800 square miles and is located in the south east of Scotland with proximity to both Edinburgh and Newcastle city regions. The high quality of the natural and built environment is among the Scottish Borders' principal assets. The area is largely rural and is one of the most sparsely populated in Scotland, with 0.23 people per hectare compared to the Scottish average of 0.65 people per hectare. Although the Borders is a rural area, it does not always qualify for funding targeted at more remote rural areas.

20. The Borders area poses fewer challenges than some regions in terms of demand for services. Overall levels of health, educational attainment, crime and antisocial behaviour are better than the national average. Alcohol and drugs misuse has shown a recent increase, but is below the national average. Over the last 20 years the population has risen by almost ten per cent to just over 112,000 and is forecast to rise to over 125,000 by 2024. A relatively high proportion of people are in the older age groups with almost a quarter over 65. As with Scotland as a whole, the growing elderly population presents a challenge for the area.

21. The region's settlement structure is based around small towns, the largest being Galashiels and Hawick – each with around 15,000 people. Over a third of the population lives in settlements of less than 1,500 people. The council is working with its local partners to raise the profile of small towns to help attract funding at a national level. As part of the Edinburgh city region, many residents commute from towns such as Peebles to jobs in the city. Public transport is limited, particularly across the region, and there is no railway service. The Borders Railway Project is under way to re-establish a passenger rail link from Edinburgh through Midlothian to Tweedbank in the Scottish Borders.

22. The public sector, principally Scottish Borders Council and NHS Borders, is the largest employer. The private sector economy is dominated by small businesses and includes a mix of traditional industries such as agriculture, fishing and textiles and developing sectors such as tourism, plastics, engineering and chemicals. The level of employment is above average and workplace earnings are below the national average. The economic downturn has contributed to an increasing unemployment rate. There are limited local employment and educational opportunities for those leaving education.

The council

23. The political membership of Scottish Borders Council is 11 Scottish Conservative and Unionist members, ten Liberal Democrats, six Scottish National Party, five Independent/'No Ticket' and two Borders Party. The ruling administration is a coalition of Scottish Conservative and Unionist, Liberal Democrat and Independent/No Ticket elected members.

24. The council operates a cabinet, or executive, model for decision-making, with 11 executive members acting as spokespersons for portfolio areas including education, social work, economic development and corporate areas including performance, finance, equal opportunities and communities. The Scrutiny Committee is chaired by a member from a non-administration party. The council operates five area committees that deal mainly with local planning issues and minor maintenance budgets.

25. Elected members work well together and have a strong focus on the council and local issues for the Borders. The council employs some 4,668 full-time equivalent staff and in 2009/10 its net expenditure was approximately £265 million. It has comparatively low council tax levels with its band D council tax being the seventh lowest nationally at £1,084.

Part 5. What are the council and its partners trying to achieve for the Scottish Borders?

The council and local partners have a comprehensive set of local priorities for the area. These are based on a good understanding of the local context, and local partners have reported progress against the majority of these priorities. However, outcome reporting and monitoring is not yet well developed.

What are the council and its partners' key objectives?

26. The council and its local partners' 2006–16 community plan sets out a broad vision and objectives for the area. Following its introduction in 2008, the council has adopted the Single Outcome Agreement (SOA) as its overarching statement of priorities. Previously, the community plan and the council's corporate plan set out the overall priorities for the local area and the council. The council's service plans now link directly to the relevant parts of the SOA. Part 7 examines the council's performance management and planning system in more detail.

27. The SOA agreed by the council and its partners sets out a comprehensive range of local priorities. These incorporate the National Outcomes identified for Scotland as a whole, and reflect the vision and outcomes set out in the community plan. The SOA includes 21 more specific local priorities which are supported by over 100 performance indicators. Exhibit 2 (overleaf) outlines some of the activities that support the local priorities.

How focused are they on the key challenges for the community?

28. The vision and objectives identified by the council and its partners are based on a good understanding of the local context. Exhibit 2 shows a close relationship between the community plan and the local priorities in the SOA. For example, the local priorities recognise specific issues such as the growth

in the numbers of older people and communication infrastructure needs.

29. The council and its partners have reported that progress is being made against the majority of the local priority targets. However, the SOA and its progress reports do not give a clear picture of the progress being made against the local priorities. This is partly because too many indicators are reported, without a clear sense of their overall impact. The council is addressing this through its ongoing review of performance management, and it is involved at a national level in developing outcome reporting.

30. The council and its partners recognise that while local priorities reflect stakeholder views, there is a need to consult further, particularly with hard-to-reach groups. The council has taken measures to increase public consultation and participation to inform the local priorities: Community Planning meetings allow for regular stakeholder meetings, and a voluntary sector liaison group was consulted over the local strategic priorities in the SOA. The council has a range of measures in place to engage local residents including surveys and specific consultation events for service reviews. It has plans in place to evaluate the overall effectiveness of its community engagement activity.

Exhibit 2
Community plan and Single Outcome Agreement priorities

2006–16 Community Planning Outcomes	A robust and dynamic economy	A well connected Borders	Improved health and well-being	Strong, inclusive and safe communities	A protected and enhanced natural environment	Learning for everyone
2009/10 SOA priority outcomes	• Develop greater economic resilience for those that live and work in the Scottish Borders	• Increase the connectivity of the Scottish Borders	• Improve health and well-being of Scottish Borders population • Plan for the demographic challenges of an older population • Reduce alcohol-related problems and the harmful impact on communities	• Develop greater community resilience within Scottish Borders	• Develop greater environmental resilience within Scottish Borders	• Young people are successful learners • Develop greater community resilience within Scottish Borders • Develop greater economic resilience for those that live and work in Scottish Borders
Examples of activity supporting the SOA	• Support businesses through leadership and workforce development • Economic resilience plan • Refocus tourism strategy on areas for growth including events • Town centre regeneration • Supply of serviced business land • Support for migrant workers • Promote funding needs of small towns	• Develop a joint regional approach for the south of Scotland • Maintain and manage the road network and improve road safety • Promote development of rail links • Broadband and mobile phone coverage	• Older people's services review • Promote independent living • Joint adult and child protection services • Director of Public Health appointment • Encourage participation in exercise • Healthy school meal uptake • Provide support to carers • Increase access to specialist alcohol-related services	• Ensure minority groups are welcomed and assisted • Child and adult protection • Opportunities for care leavers • Community safety team • Provide affordable housing • Local area planning • Encourage volunteering • Uptake of benefits • Youth projects	• Protection and access to the natural environment • Rural development, biodiversity and woodlands strategies • Recycling and reduction of waste • Renewables and reduced energy consumption • Core path usage • Flood prevention • Climate change	• Schools estate and broadband programme • Re-structuring children's services • Encourage training and skills development • Develop vocational approaches in schools • Pre-school education • Achievement and attainment of people leaving care • Protect rural schools

Part 6. What has been achieved?
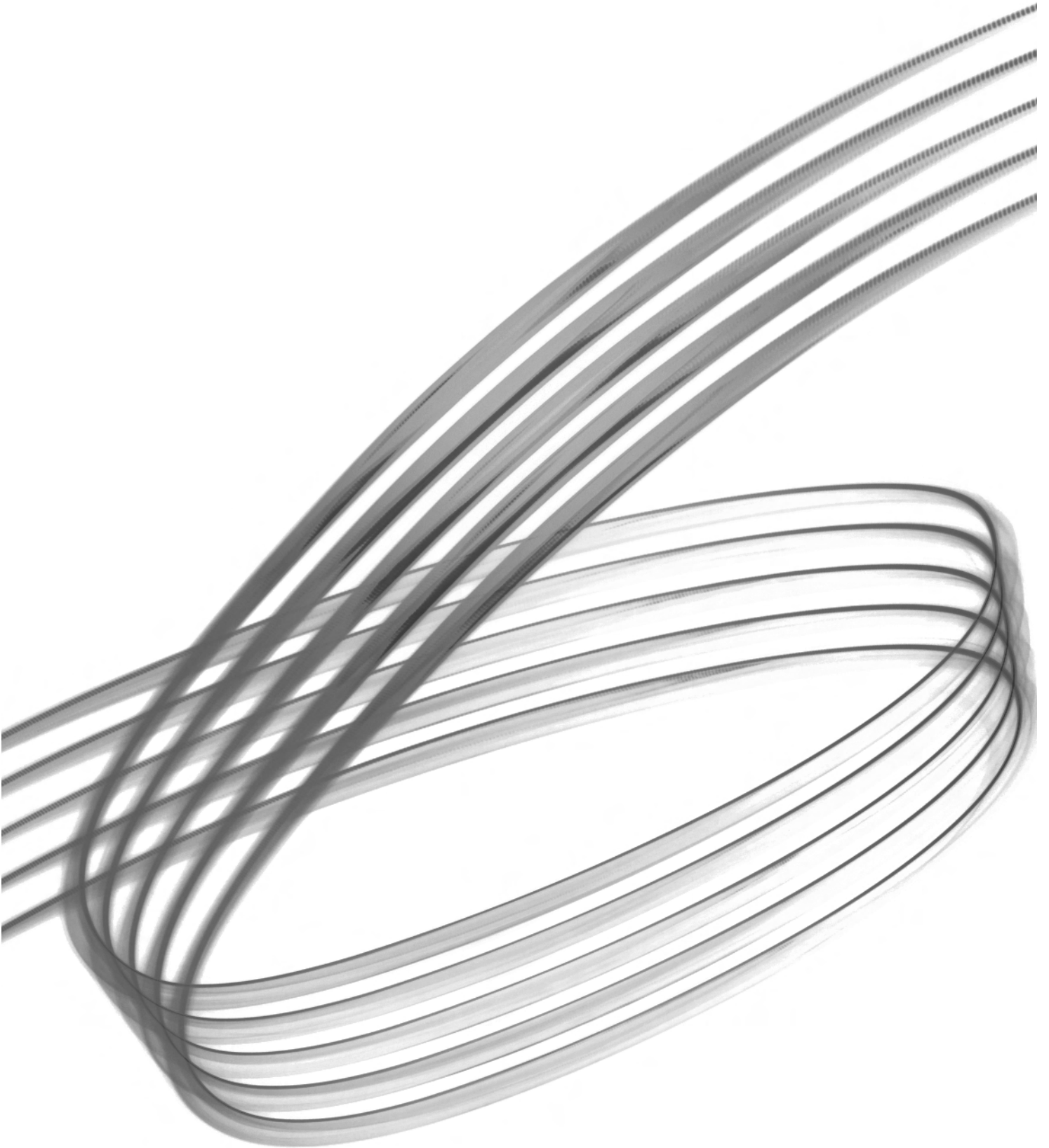
The council and its partners have reported overall progress against their local priorities. Customer satisfaction is above average, and council services perform in line with national averages and have improved in recent years. Inspectorate findings are largely positive regarding social work and education services. Overall, governance and resource management are effective, but performance management and strategic resource planning require further development.

What progress has been made in addressing the key challenges for the Scottish Borders?

31. The first SOA progress report submitted by local partners to the Scottish Government in September 2009 indicated that the majority of targets set out in the 2008/09 SOA are being met, and as at September 2009:

- 59 per cent of targets were met or exceeded

- seven per cent had achieved less than 85 per cent of target

- 52 per cent of indicators show an improving trend and 20 per cent a declining trend

- 20 per cent of indicators lack trend information.

32. Progress has therefore been reported against most areas. In common with other councils, there is a lack of trend information for new outcome indicators. The following sections summarise progress against the main outcome objectives set out in the community plan and the SOA.

A robust and dynamic economy
33. The main economic objectives for the council and its partners include developing workforce skills, supporting businesses, promoting business diversification, town centre regeneration and supporting tourism. Mixed progress has been made

against these objectives in the current difficult economic climate.

34. Successes include local regeneration projects, the council's increasing role in promoting events, and increased opportunities for further education. Business survival rates are higher than average; however, workplace earnings are below the Scottish average and declining. The unemployment rate has sharply increased in 2008/09, but remains below the national average.

35. As in Scotland as a whole, the service sector is increasing and accounts for the majority of jobs. The public sector accounts for a higher share of this sector in the Borders. Despite experiencing ongoing decline, the manufacturing sector still accounts for a larger share of jobs in the Borders than Scotland as a whole. Data are not yet available to show the impact of the recession on the numbers employed by sector at a local level. However, the recession is likely to have had a negative impact on important potential growth areas such as construction and tourism. This gives greater impetus to the council's efforts to support the economy through training opportunities and promoting events and tourism.

36. The council has identified the local economy as a priority and has put in place clear objectives and management structures:

- the economy is prominent in the local priorities, and the economic strategy sets out a broad range of business and workforce objectives

- partnership structures are in place, the business sector is well represented, and meetings allow for wider stakeholder involvement

- there is a nominated executive member with responsibility for economic issues, and the local economy is a regular agenda item for the leaders group.

37. The economic objectives identified by the council and its partners are set out in the South of Scotland Competitiveness Strategy. These include town centre regeneration, greater opportunities for higher education, business support, tourism and events promotion. The strategy was updated in 2009/10 and includes a statement of progress to date, as summarised in Exhibit 3.

38. This statement highlights achievements, but does not account for any areas where objectives were not met. The council should ensure that it monitors and reports progress in a balanced way against its economic strategies and action plans. This is important to allow the council to evaluate and demonstrate the impact of its activities.

39. The council works well with its local economic partners and stakeholders. This is important particularly in the current financial climate and helps to share expertise and raise the profile of the area. The council leads the South of Scotland Alliance partnership. This was formed by the Scottish Borders Council, Dumfries & Galloway Council and Scottish Enterprise to promote the local economy at a national and European level. The partnership recently held a conference to promote its economic strategy. This was attended by a wide range of stakeholders including a senior Scottish Government minister.

40. The council has involved local community representatives in developing six local plans in small towns and communities across the Borders. These are a good example of closer working with communities to identify local needs. Local partners in the Burnfoot area of Hawick have formed a community social enterprise which has led to increased youth facilities and activities, improvements to the area's appearance and plans for a community crèche. However, the local planning approach is not yet well developed across the region as a whole and has limited coverage.

Exhibit 3
Progress with the 2007/09 Economic Competitiveness Strategy

- Progressing the Borders Railway Project including its transfer to Transport Scotland.

- Putting in place an events strategy linked to national events programmes including the 2009 Homecoming and the Tour of Britain.

- Opening the co-located further and higher education campus in Galashiels.

- Establishing the South of Scotland Innovation System to enhance business links with academic institutions.

- Delivering the South of Scotland Broadband Pathfinder Project for public services including schools and libraries.

- Developing business gateway services to provide support to all businesses.

- The Resilience Plan to support the local business community in the recession.

- Developing business property at Cavalry Park, Peebles and Ettrick Riverside.

- Town centre regeneration, including Hawick and Melrose.

- '7Stanes' mountain bike project making sustainable use of the local environment to attract tourism.

- Establishing a grants body to distribute £19 million European Structural funding toward delivery of the economic Competitiveness Strategy.

Source: Audit Scotland and Scottish Borders Council

41. The council has been responsive in its support for local businesses in preparing an economic resilience plan. The plan includes a 'shop local' campaign, advising businesses on the council's tendering process, and bringing forward the council's capital expenditure programme to help sustain business activity. It also identifies the need for the council to pay invoices promptly – an area in which the council has performed relatively poorly in comparison to other councils, but is now improving. These measures are practical and relatively easy to implement, although it is too early to assess their impact.

42. The initial Best Value audit recognised the Heart of Hawick project as a good example of town centre regeneration. This project has created a successful genealogy and arts centre from a former mill complex that was in need of restoration. Exhibit 4 (overleaf) gives further examples of local partnership initiatives that promote the economy while protecting natural assets.

A well connected Borders
43. This community plan objective relates to transportation connections as well as information communications. The Borders is the fifth most 'access deprived' local authority area in Scotland, according to Scottish Indicators for Multiple Deprivation, suggesting that access to services for many is difficult and time-consuming.

44. The South of Scotland Broadband Project involving the council and its partners was completed in November 2008. The majority of the council's public premises including schools, museums and offices now have high-capacity broadband access to the internet. Work is ongoing to use the network to provide Wi-Fi in public places such as halls, libraries and town centres. Despite these improvements, e-business connectivity and usage remains below the Scottish average, with some 65 per cent of residents having access to the internet (Scottish Borders Household Survey).

45. Public transport services for rural settlements are limited and many Borders households rely on cars. The 2008 SHS found that public transport satisfaction levels are the lowest in mainland Scotland at 45 per cent, and only seven per cent of residents use public transport to travel to work. The council has recently reduced its provision of subsidised bus services owing to increasing contract costs and budget pressures. This may further impact on user satisfaction levels.

46. The council faces a challenge in supporting public transport in the area. It is about to review its subsidised transport services. It will need to consider the wider impact of transport on the economy, including access to employment, education and care services for example. Roads condition is below the national average but is improving and the council has targeted capital investment in this area. The Borders Railway Project is set to improve transportation links with Edinburgh and will bring opportunities to the area.

Improved health and well-being
47. This community plan objective is to promote better health across all age groups. Community-based care and partnership working are important aspects.

48. The expected years of life in good health and the life expectancy of the Scottish Borders' population are above the Scottish averages. Local partners report that the majority of health and well-being local outcome targets are being met, and are improving in most areas where trend data is available. Overall, there has been good progress against the targets for increasing the use

Exhibit 4
Sustainable economic development

Gunsgreen House Eyemouth	This tourist attraction was developed through restoring a prominent house with historic roots in the smuggling trade. The project began in 2006 and the house was reopened in spring 2009. It includes a 'smugglers experience' attraction as well as restored and furnished rooms and audiovisual presentations. The restoration includes two wedding venues, self-catering accommodation, and conference facilities are available during the winter months, keeping the venue in use when the tourist attractions are closed. The project was undertaken by the Gunsgreen House Trust with funding secured through Heritage Lottery, Historic Scotland, South of Scotland European Partnership and Scottish Borders Council.
Greenlaw Town Hall	The restoration of Greenlaw Town Hall to create a sustainable community facility. The town hall, a listed building, was in a dilapidated state having not been in use for a number of years. The local community established a trust to restore the building for use in community activities. The council engaged a restoration and conservation specialist to enable the project to begin. Funding was secured through a variety of routes including European funding, Royal Incorporation of Architects in Scotland funding, Architectural Heritage funding and local fund-raising events.

The restoration of the building has included the development of two business units to support local business needs and provide a revenue stream for the future. Completion of the restoration is planned for August 2010. |
| Woodland Strategy | Launched in 2005 as part of the amended structure plan, this strategy follows on from the Forestry Strategy adopted in 1993. The strategy aims to realise wider benefits from forestry, including employment, tourism, health and well-being, and community involvement. Throughout, there is a focus on sustainability, including supporting small businesses. Projects include promoting local timber use, including the use of wood products as fuel, and creating an attractive environment through landscaped woodlands and gardens. The strategy was developed in partnership with the Forestry Commission Scotland, Scottish Natural Heritage and Borders Forest Trust. |

Source: Audit Scotland and Scottish Borders Council

of community-based care for older people. The council has set out comprehensive measures to support independent living for older people as part of its review of services for older people. It is also working in partnership with the NHS and the voluntary sector to reduce hospital admissions for adults.

49. A Joint Health Improvement Service has been established across NHS Borders and Scottish Borders Council, including representation from the voluntary sector. A joint director of Public Health has recently been appointed to provide a coordinated approach to health improvement activity from both the council and the health service. This post will work closely with the CHCP.

50. The council received a good SWIA performance inspection report in February 2009. This noted good practice in areas including its night support service, the juvenile liaison group and intensive outreach team.

51. The council works well with its partners and has a number of jointly provided services in place including services for mental health and learning difficulties. The CHCP is adopting a stronger governance role and has made progress with joint commissioning teams for mental health, and drugs and alcohol-related services.

52. There has been increased use of shared assessments between agencies, and the transforming children's services review has led to closer working between children's services providers. Fewer children and

young people are receiving education provision outside of the Borders, and community-based care for looked after children has increased.

53. A number of initiatives are in place to support people with depression including increased training in suicide assessment for practitioners. Drugs use in the Borders is below the national average; however, there has been a steady rise over the last four years compared to a gradual downward trend for Scotland.

54. The abuse of alcohol is below the national average but is a growing concern, with alcohol-related deaths and hospital admissions both showing an increase in the year to 2008. The provision of specialist alcohol-related support services increased in 2009.

Learning for everyone

55. This community plan objective aims to provide the best educational experiences and opportunities for all, and to raise individual levels of achievement. This includes working with communities and voluntary organisations to help children and vulnerable adults achieve more in employment, sport and cultural activities.

56. The education service has received positive inspection reports and HMIE has noted progress in areas including:

- Education attainment in schools is above the Scottish average in most areas. Fewer school leavers are going into employment than in previous years, although this is balanced by increases in those going on to higher and further education. Attendance at primary and secondary schools is above average, and exclusions well below the average.

- The £50 million schools estate public-private finance programme has provided three new secondary schools, and an additional £20 million primary schools project is under way. All schools have high capacity broadband and new PCs under the National Grid for Learning initiative.

- Good management processes are in place for quality improvement and community engagement.

- Effective joint working between education and social work and good practice in consultation through the transforming children's services review.

57. The proportion of working age people holding qualifications is higher than for Scotland as a whole, although the numbers with qualifications equivalent to an HND, ordinary degree or above (SVQ4 or above) is lower. There has been increased provision of community-based learning, support into work training and learning English as a second language.

Strong, inclusive and safe communities

58. This community plan objective aims to support the Borders as a safe, attractive and affordable place to live. As noted earlier, the Borders has relatively low social deprivation and good progress is being made with adult and child protection, volunteering and local regeneration projects. The majority of residents say they are proud to live in the Scottish Borders. The cleanliness of the local area is improving and is above the average rating for Scotland as a whole.

59. The April 2009 HMIE joint inspection of protection services for children and young people noted 'very good performance' including clear improvement and capacity to improve further. The report was positive about governance, participation and consultation and noted improved working with partners in delivering services jointly. It identified satisfactory progress with self-evaluation and performance monitoring. However, it noted the need for better performance information and a clearer focus on outcomes.

60. The council and its partners have invested in services and training to protect adults from the risk of harm. There is now much greater use of multi-agency investigations and reported concerns over risks to adults have increased, indicating a greater awareness. The numbers of people leaving care going into employment, education or training has increased. The council has successfully maintained its levels of community grant awards and the numbers of registered volunteers has increased.

61. The Borders benefits from low crime and high detection rates, and rates of domestic abuse incidents have decreased. This is reflected by the majority of residents feeling safe in their neighbourhood. The council and Lothian and Borders Police have recently introduced a joint community safety team to tackle issues such as antisocial behaviour.

62. The Scottish Housing Regulator (SHR) June 2007 report rated the homelessness service as 'Fair'. SHR has since noted improvements in leadership, joint working and performance of the service. The housing management function was transferred to registered social landlords in 2003.

63. The performance of the homelessness service is improving and is in line with the Scottish average for the time to process homelessness applications, and in limiting the need to reassess cases. This has been helped by reducing the use of temporary housing. The provision of affordable housing has been affected by the downturn in the property market, but is increasing and broadly on target.

A protected and enhanced natural environment

64. The council and its partners are making good progress in a number of areas within this theme, and in relation to its wider contribution to sustainable development.

65. The council is strongly aware of the sustainability agenda and has been involved in a number of successful initiatives to realise the economic potential of its natural environmental and historical heritage, while at the same time protecting them. These include: the Scottish Borders woodland partnership's activities in enhancing the natural environment; support for the mountain biking leisure industry; and regeneration in small towns. It has an executive member with responsibility for planning and the environment, and sustainability falls within the remits of each of the three community planning theme groups.

66. Environmental objectives are prominent and are set out in local strategies for the marine environment, woodlands, bio-diversity, renewable energy and supporting rural areas. The council has produced a green procurement guide and a sustainability toolkit to improve awareness within the organisation. It promotes sustainability externally through planning guidance including guidance to support wind farm developments and the sustainable use of timber construction.

67. The council's three new high schools have achieved externally accredited excellence evaluations for environmental sustainability, and the council has introduced bio-mass energy generators in three of its schools. The majority of schools in the Scottish Borders are involved in the international eco-schools initiative.

68. Recycling rates are above the Scottish average, and the council has met its targets for waste reduction. The council has promoted waste awareness for households and businesses, and has simplified its recycling approach to help sustain recycling. The council is working to increase the use of renewable energy, including its use for street lighting. However, it has not met its two per cent reduction target for energy consumption.

How good are the council's services and are they improving?

69. Overall, the performance of council services as indicated by the Statutory Performance Indicators (SPIs) is around the national average. Performance has improved at a higher than average rate since the initial Best Value audit, with the council ranking 30th in 2005/06; and 12th in 2007/08, the last year in which improvement comparisons have been available.

70. Areas of good and improving performance in the council include adult home care provision, accessibility of council buildings, community-based night-time

respite care for children and street cleanliness. Other areas of above average performance include recycling, responding to trading standards enquiries from businesses and sickness absence for teachers.

71. Performance is below the national average but improving in library usage, the time taken to pay invoices and the time to process planning applications. Waste disposal costs are below the Scottish average but collection costs are higher. Homelessness services perform in line with the Scottish average and are improving.

72. The 2007 SHS showed that satisfaction with local services in the Borders was relatively high: 49 per cent believe they received good-quality services compared to 40 per cent nationally; and 43 per cent believed the council made the best use of money compared to 37 per cent nationally. The council's own *Scottish Borders Council Household Survey* (November 2009) indicated generally high levels of satisfaction across the majority of services. Overall satisfaction with the council had increased on the previous year, with 70 per cent rating the council as good and five per cent rating the council as excellent.

73. The combined findings from the Borders Household Survey and SHS are summarised as follows:

- The majority were satisfied with refuse collection, libraries, theatres, museums and galleries, sport and leisure facilities, street lighting and street cleaning, parks and open spaces, and schools and community facilities.

- Significant numbers expressed dissatisfaction with the condition of pavements, cycle ways, play areas, and with roads condition, drainage and the time taken for road repairs.

74. The council's BTP includes the Customer First project to improve the way people can access services. This

has introduced 'one-stop' customer service centres to deal with a broader range of queries and service requests from a single point of contact. A customer services management system is in place to deal more effectively with service requests received from personal callers, by telephone or through the council's website. The range of services provided is being expanded and currently includes council tax benefits, environmental and payment services. The project has reduced the number of public-facing offices, from 35 premises offering a limited range of services to 15 customer service centres.

How effectively is the council making use of its resources?

Financial management
75. The *Report to Members and the Controller of Audit* on the 2008/09 audit noted that the council's budget management processes operated effectively under challenging financial circumstances. All council members receive detailed financial information, including transfers between budgets. Debates at committee are constructive and members take a council-wide view of budget pressures across service departments. The council achieved its 2008/09 budget of approximately £252 million and ended the year with non-earmarked reserves of some £5.6 million, which was at the lower end of the council's policy to maintain free reserves at between two and four per cent of net revenue budget. The council is estimating an unallocated general fund reserve of £5.3 million at 31 March 2010, which represents two per cent of net revenue budget.

76. Councils face a difficult financial outlook and will need to plan for limited growth in funding. The Scottish Borders Council has produced a medium-term financial plan which it is aligning with the local priorities under the SOA.

77. The Administration Budget Working Group is an effective forum

for executive members and officers to identify budget priorities. Service reviews feed into this process. For example, the transforming children's services review introduced joint children's services and reduced management costs; and the transforming older people's services review altered the balance of in-house and contracted services. The council aims to develop resource planning such as this more consistently across the organisation. It has not yet implemented workforce planning and asset management on a council-wide basis, but has identified these as part of its ongoing improvement agenda. It has also identified the need to better link resource planning to its local outcome priorities.

78. In common with other councils, the economic recession has impacted on the council. Income from planning applications and the sale of its property assets has reduced, and demand for wider council services is likely to increase. In overall terms, the council incurred a deficit of almost £9 million on its 2008/09 income and expenditure account. After statutory adjustments this resulted in it requiring £3.3 million from General Fund Reserves.

79. The economic recession will increase the pressure on these reserves. The council's corporate management team has recognised this and all service departments have identified efficiencies and cost savings, including efficiency savings through the BTP.

80. Efficiency programmes have been an integral part of local government financial planning for a number of years. Based on the council's definition of efficiency savings they have reported savings of £15 million over the past three years, which is in line with their original plans.

81. The council continues to face difficult financial pressures and it has anticipated revenue cost increases of £20.8 million in 2009/10. It has already met an increase of £14 million

in 2008/09 arising from pay increases (including single status), fuel and food cost inflation and changes to services. This will require the council to look for further sources of income and reductions in expenditure to balance its budget. It has included £5.4 million of efficiency savings in its 2010/11 budget. It aims to realise these primarily through the BTP, including the redesign of its technical, and planning and economic functions, and through a workforce review. In response to these challenges the council has raised its efficiency target from its review activity from five per cent to seven per cent.

82. The 2009 *Report to Members and the Controller of Audit* noted that the council lacked a clear process for identifying and monitoring improvements and efficiencies. This is an important area for improvement if the council is to meet its budget targets.

Value for money
83. Elected members are strongly aware of the need for value for money. The council's BTP includes an efficiency target of seven per cent for individual reviews. This demonstrates the council's commitment to improve services and to achieve efficiencies. However, not all services are subjected to a systematic test of value for money, or competitiveness. The council has identified the need for a council-wide process to ensure the competitiveness of services as part of its improvement programme. It must also implement its procurement strategy to ensure more consistent use of good procurement practice.

84. The council has one of the lowest council tax levels, ranking seventh nationally, and has a high and improving council tax collection rate. As noted previously, performance as measured by SPIs is around the national average and the council has higher than average customer satisfaction.

85. The relative value for money of services and different options for

delivering services is considered to a varying degree in individual service reviews. For example, the review of services for older people compared the council's in-house services with externally contracted services, and the review of council support services looked at options for information technology and procurement. The council has recently developed a 'return on investment' assessment as part of its review process. This will help to ensure that the potential benefits of reviews are clearly demonstrated before they are formally approved.

86. The council operates a single trading operation, SBContracts, which maintains the local roads network. This has been successful in winning some 30 per cent of the total value of the work it has bid for, including work for neighbouring councils. This gives some assurance about the in-house operations provided by SBContracts which operate to the same terms.

87. The council is making wider use of benchmarking for services such as catering, grounds maintenance and street cleaning. Indications are that the council performs relatively well in these areas, but wider information on value for money across the council as a whole is limited. The council is implementing a revised procurement strategy including the use of an electronic procurement system. The system is in place but currently handles a relatively small proportion of purchases. The council has reviewed its commissioning strategy for care services for older people based on detailed cost and quality benchmarking information.

People management
88. The council has good people management practice in many areas, but it does not yet have in place a council-wide system for planning its workforce needs in the longer term.

89. Indications are that managers are largely supportive of change, and that there is a growing customer focus across the organisation. However, the

demands of the BTP on employees across the organisation should not be underestimated. While overall satisfaction levels remain positive, perceptions of change management across the organisation as a whole are less positive.

90. A recent employee survey, published in December 2009, indicated that job satisfaction has increased since the 2003 employee survey, and at 77 per cent, this is above average for such surveys. Fifty-three per cent were satisfied with the council as an employer. This lower rate of satisfaction may reflect the levels of change experienced by staff in recent years; only 15 per cent were satisfied with the management of change. The survey noted concerns from employees on the extent of change, and also on the length of time taken to implement change. The SWIA performance inspection report (February 2009) also noted that the change programme placed demands on the workforce, but noted that overall, social work staff were highly motivated.

91. The council has put in place a simplified grading system to comply with equal pay and single status. This has reduced the overall number of job descriptions from over 1,000 to approximately 100 and will potentially increase opportunities for more flexible working and development. It is also introducing competency training for officers including a 'management passport' to give managers essential skills in areas such as people management and budgeting. The council's employee appraisal and development process is being reviewed and is not yet consistently applied across the organisation.

92. There is some good practice to plan for future workforce needs, but this is not yet applied across the whole organisation. Service reviews have involved detailed appraisals of the workforce required to meet future demand; and the competency training programme will help identify

skills gaps within the organisation. However, like many councils it does not yet have a mature approach to workforce planning and development across the organisation. The action to develop a council-wide workforce strategy is included in the council's ongoing improvement programme.

93. The council uses a good range of communication methods with its staff. Its 'Kelso Conversation' meetings bring managers together from across the whole organisation. This has worked well in sharing and developing a common direction and in improving communication across the organisation.

94. In early 2007, an employee council was established to improve communication and to give employees a direct voice to senior management and elected members. This innovative measure aimed to improve overall communications given the relatively low trades union membership. The employee council is a good forum for raising employee issues directly with managers and for communicating change. However, it has not attracted the intended complement of employee representatives, and this has limited its impact. The council is in the process of recruiting further employee representatives. It also needs to put in place effective communication channels to support the employee council representatives in their role.

Asset management
95. The council has demonstrated some good property management practice, but lacks a council-wide strategy for managing its assets. It has not yet completed its revised asset management strategy and management plan. It has reviewed approximately 25 per cent of its properties to assess their suitability for purpose. Less than 50 per cent of these were considered to be appropriate for their current use.

96. The council has made progress with its schools refurbishment and construction programme, and it has

reduced the numbers of its public-facing offices through its customer services project. There are examples of co-located teams in social care, education and community safety, and the community justice centre in Peebles houses the Scottish Courts Service, the local police station and the council's legal services team. It performs well in public access with over 87 per cent of public service buildings being suitable and accessible to disabled people.

What progress has the council made in promoting equalities?

97. The council is making good progress in promoting equalities. It has a jointly funded equalities and diversity officer with NHS Borders to promote awareness and good practice. The council has plans in place to train all staff in equality and diversity. It has created a dedicated web page for equality and diversity which can be accessed by all staff and councillors. This includes good practice, information and research around race equality.

98. The SWIA February 2009 performance inspection noted that the social work service worked very well with local communities, for example, in providing clearer information on benefits. The report also recognised the council's proactive work in identifying and addressing the needs of the migrant population. This includes a *Welcome to the Scottish Borders* handbook to help make migrants aware of the services available to them. The council has carried out an 'equalities impact assessment' of its transforming older people's services review, including how it meets the needs of older people from minority ethnic communities.

Part 7. What are the council's prospects for future improvement?
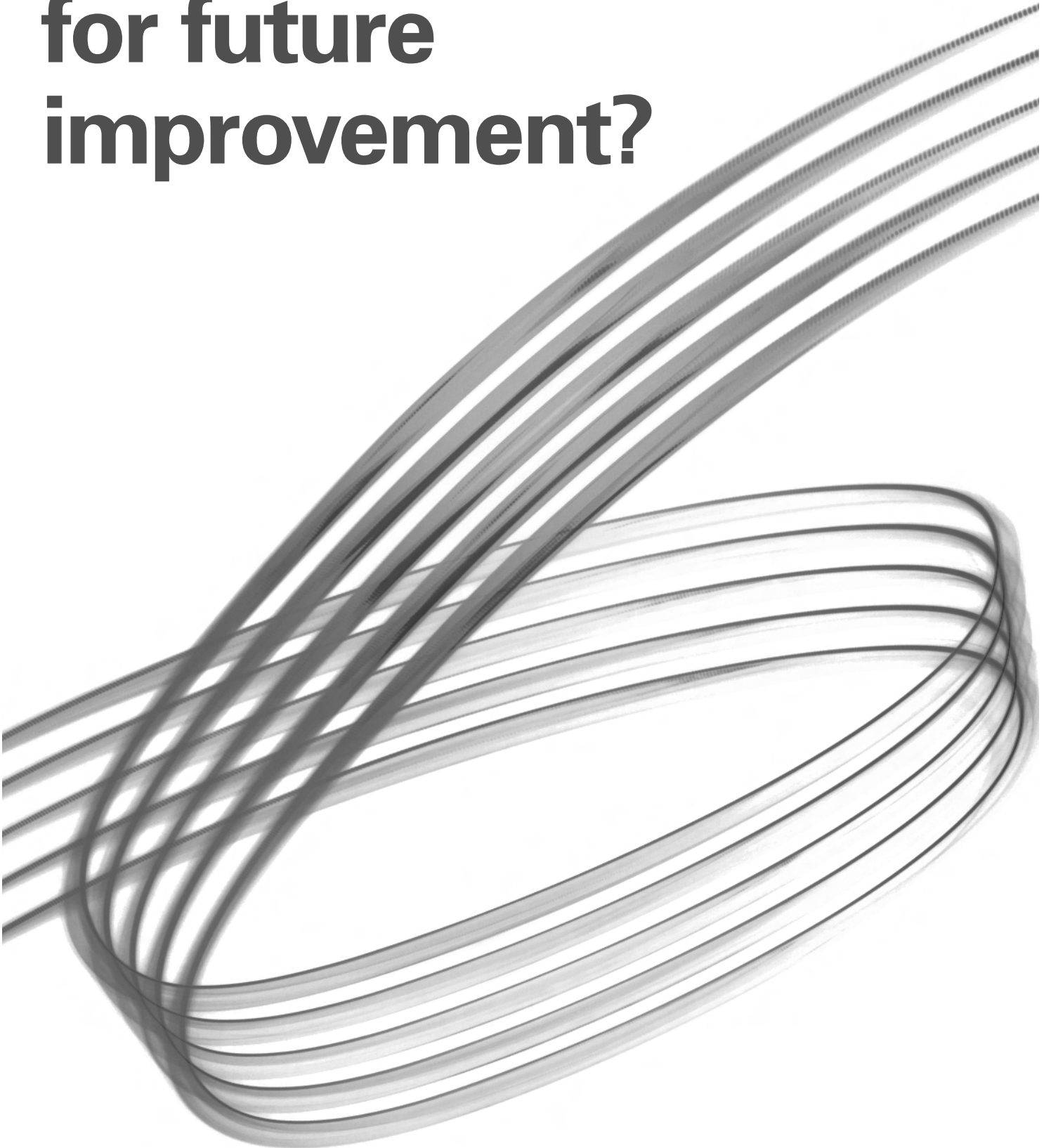
The council is well placed to deliver future improvement. It is committed to change and has a comprehensive improvement programme in place. It has strong and consensual political and managerial leadership, and it demonstrates effective governance and partnership working. It has taken measures to improve the management of its change programme. It must now ensure that it has clear overall improvement priorities and that these are adequately resourced. It must also continue to improve its council-wide processes for managing performance, planning its workforce needs, managing its physical assets and for ensuring the competitiveness of its services.

Exhibit 5
Business transformation programme

Customer First programme to modernise customer services

Strategic Review programme comprising:

– Support Service Review
– Transforming Children's Services
– Transforming Older People's Services

People programme comprising:

– Single Status – pay and grading structure
– Job Family Framework
– 'Resource link' to improve HR support to employees

Corporate workstreams comprising:

– Property and asset management
– Shared services
– Finance
– Procurement
– ICT

Source: Audit Scotland and Scottish Borders Council

Is the council aware of where it needs to make improvements and is it committed to change?

99. The council is strongly aware of the need for improvement and has had a major change programme, its Business Transformation Programme (BTP), under way since 2007. This sets out a comprehensive range of measures to deliver a modern, efficient and customer-focused organisation. The BTP is a significant undertaking and includes the areas outlined in Exhibit 5.

100. The council is ambitious in undertaking such a wide-ranging programme of change. The BTP has made progress in significant areas since the initial Best Value audit in 2007, including:

- the transforming children's services review to integrate services for children at a local level and to achieve efficiencies through initiatives such as shared head teacher posts

- the schools public-private finance programme providing three new high schools and the ongoing refurbishment of eight primary schools

- the Customer First programme to improve public access to services by creating customer service centres, and rationalising public-facing offices

- the review of support services to re-organise financial and business services across the council

- the implementation of single status including a simplified grading and job structure

- setting a vision and strategy for the future delivery of care services for older people including an extensive public consultation exercise.

101. The council's commitment to change is further demonstrated by the high profile given to its BTP. The board that oversees the programme is a formal subcommittee of the council's Executive Committee and is chaired by the leader of the council.

102. The council has demonstrated further improvements to its services since the initial Best Value audit in 2007. It has received good inspectorate reports in social work and education services and shown a strong trend of improvement in its services as measured by the SPIs. Customer satisfaction remains above the national average.

103. The council is ambitious and has made some good progress, although its improvement programme has not met its anticipated timescales. Significant areas of the programme have been extended by as much as a year. This has meant that efficiencies and improvements to services have not been achieved as quickly as intended. The council has put measures in place to improve the overall management of the BTP. These set out a sound basis for taking the programme forward, but have not been in place long enough to demonstrate their effectiveness. The role of the council's management arrangements in improving services is examined later in this section.

Does the council have the support of its partners to deliver improved outcomes for local people?

104. The council has good working relations with its partners, including health, police, and fire and rescue services. It should continue to build on these good relationships to identify further opportunities for improved services and efficiencies.

105. The Community Planning Partnership has been re-organised in line with the SOA to include fewer theme groups. This aims to give them more autonomy and allow stronger stakeholder involvement, including the voluntary sector. Initial indications are that the new structures are providing a stronger focus. The SOA local outcomes were developed jointly by local partners from the outset.

106. The health and education inspectorates have noted good joint working and community engagement in these services. The CHCP has strengthened the governance of jointly provided health services. Joint commissioning teams are now in place for mental health and learning disability services and a joint director of Public Health has recently been appointed to coordinate health improvements across the council and health service. The region benefits from shared geographical boundaries between health and the local authority. The council and its partners should continue their efforts to identify potential areas that would lead to service benefits and efficiencies, particularly in the current economic climate.

107. The council has good working relationships with other councils. Its leadership of the South of Scotland Alliance to promote the economic interests of the region as a whole is an example of this. The April 2009 HMIE inspection noted that services in the Scottish Borders had continued to work effectively in partnership to improve services to protect children, young people and families. A joint council and police community safety

team has recently been established, and the council has delivered effective local regeneration projects with partners and the local community.

108. The Edinburgh Lothians Borders Fife Forum was established just after the May 2007 election. It comprises the south-east of Scotland councils of the Scottish Borders, the City of Edinburgh, East Lothian, Fife, Midlothian and West Lothian. The forum was set up to identify opportunities for collaboration and shared services. Its aim is to manage and deliver services such as payroll, buying goods and services, and roads maintenance jointly, to achieve cost efficiencies and other potential benefits.

109. A range of activities already involve some shared working between these councils, such as child protection coordination, district court services and workforce training, but these are small in scale in terms of overall expenditure. The forum is still at the stage of identifying options for wider shared services and it recognises that it needs to increase its pace of change and focus on high value areas that would deliver the greatest impact.

Does the council have the leadership capacity and capability to deliver the improvements that are needed?

110. Political and managerial leadership is strong and elected members and senior officers have a good working relationship. The council leadership is committed and the senior management team and executive members provide a strong lead on organisational improvement. The council should continue to sustain the good working relationship between members and officers, particularly given the need to reach a consensus on priorities in the face of tightening resources.

111. Executive members hold corporate responsibilities, including corporate performance and human resources, and the leader chairs the

board that oversees the BTP. Elected members have a strong and active role in managing business through committees and member-officer forums such as the Leaders Group, and the Administration Budget Working Group. Political working tends to be consensual and focused on council business, including council-wide issues such as improvement. The council's processes for governance and scrutiny are effective overall.

112. Scottish Borders is one of seven councils involved in the Improvement Service's continuous professional development framework for elected members. This pilot was launched in the council in August 2008 and personal development plans for involved members were agreed by April 2009. A wide range of training opportunities are available to members and they are generally satisfied with the training they receive.

113. As noted in the previous section, the council has arrangements in place for developing its management capability, including professional development and council-wide management conferences. It has put in place measures to share expertise across the organisation in change management. Its ongoing review to bring together its organisational development and business improvement functions will help to consolidate good practice further.

Are the council's management arrangements likely to secure better use of resources and improved services?

114. Overall, governance and financial management is effective in the council. Elected members are engaged in budget planning through the Administration Budget Working Group. Budget setting takes account of the council's review programmes, and elected members are well informed of resource pressures across departments. As noted elsewhere in this report, the council recognises that it has to improve and develop its council-wide practice

in asset management, workforce planning, and competitiveness. A revised performance management process is being implemented and is essential to support its improvement and efficiency objectives.

115. The council has strengthened its capacity and expertise in areas important to change and improvement, including human resources, organisational development and project management. Executive members and senior officers are now more strongly engaged in the BTP following changes to its management structures. The council has taken measures to develop skills and competencies and share good practice in managing change across the organisation. Its simplified pay and grading structure also allows for greater flexibility to support ongoing service improvement.

116. The council has in place a significant programme of improvement over the next three years. This includes the following:

- The ongoing BTP workstreams, including a major departmental review of planning, economic development and technical services, and the transforming older people's services review.

- The local priorities identified in the *Council Priorities* statement.

- The council's shared services and efficiencies programme.

- The council's corporate improvement areas, including the scrutiny review programme.

117. There is a risk that the council may lack the capacity to deliver this extensive programme in view of the delays experienced to date, and the increasing pressures on its resources. The council is aware of this risk and it has put in place measures to strengthen the way it manages change. These provide a sound basis for taking the programme forward, but

have not been operating long enough to demonstrate their effectiveness.

118. As part of these measures, the council has restructured the board which oversees the BTP. This has been given a stronger political profile and from October 2009 it has become a formal subcommittee of the Executive Committee. A corporate programme group comprising the council's senior management team and BTP workstream leaders was established in February 2010 to report to the board.

119. In February 2010, the council approved its *Council Priorities* statement. This identifies how council business relates to the local outcome areas set out in the SOA. But it does not identify overall priorities from the council's wider programme of the BTP, corporate improvement areas and shared services activities for example. The council should ensure that it can clearly identify its overall priorities to enable it to target its available resources to best effect. It must also consider the impact of ongoing change on its workforce and ensure that the change programme is adequately resourced and is implemented on time.

Governance

120. The council demonstrates strong political leadership and governance through its committees. Mechanisms to challenge performance, policy and governance are in place. Scrutiny within the council is effective overall, with committees including the Performance Monitoring Panel (PMP), Audit Committee and Scrutiny Committee making a contribution. Members provide challenge but would be better supported in their role with improved performance reporting. The council is addressing this through its revised performance management process. It should also ensure that its scrutiny arrangements remain effective, particularly in the light of the challenging financial situation facing councils.

121. The council's committee system comprises an Executive committee of administration members, a Scrutiny Committee, an Audit Committee, the PMP, five area committees and various subcommittees.

122. The Audit Committee considers financial and audit matters and includes two external advisers to bring additional expertise. The committee is effective and is a good example of the council ensuring that it has the skills in place to undertake its role.

123. The PMP has the remit to challenge service performance and its members are engaged and have an appetite to challenge both service performance and wider issues such as value for money. Following the introduction of the SOA, the panel received local outcome indicator reports in place of more specific service performance reports. However, these reports did not provide a meaningful overview of performance. This limited the ability of its members to undertake effective scrutiny. The council is addressing this as part of its ongoing review of performance management.

124. The Scrutiny Committee has the remit to scrutinise how the council meets its policy objectives, and can undertake scrutiny reviews and call in Executive Committee decisions. In practice, the Scrutiny Committee seldom exercises its call-in power. This reflects the consensual nature of political working in the council. The Scrutiny Committee focuses its activity on undertaking scrutiny reviews which form part of the overall improvement agenda for the council.

125. The council has recently appointed a new 'Section 95 Officer' responsible for the administration of its financial affairs. As this is not a director level appointment the council should ensure that the post has sufficient authority to undertake this statutory duty. This is particularly important given the need for the council to realise efficiencies to meet its budget commitments, and to

implement more strategic financial planning.

126. The initial Best Value audit in 2007 noted that the council's area committees could be more effective and undertake a wider role. Area committees take local planning decisions and manage minor local budgets. The council has only recently begun a review of its area committees. This was prompted by two factors: national planning legislation which has delegated the majority of planning decisions to officers; and feedback from the residents' survey that indicated that the majority of residents had not heard of area committees. Initial proposals are to re-establish area committees around electoral wards and to widen their remits to encourage greater participation and local decision-making.

Performance management

127. The 2007 Best Value audit noted that the council's performance management and reporting process was beginning to work well. Overall objectives for the council and its local partners were set out in the community plan, and the corporate plan set out the council's main objectives in relation to this. Service plans linked to both of these documents and their progress was reported to the PMP.

128. Following its introduction in 2008, the council incorporated the SOA into its performance management system. The SOA is now the overriding statement of local priorities, and has in effect replaced the community plan and the corporate plan. Service plans now link directly to the SOA, and performance reporting to committee comprises the SOA indicators.

129. This revised system was not effective in practice as reports covered too many indicators and did not give a clear picture of overall performance. The reports also made it difficult to separate council activities from wider partnership activities.

130. The council is aware of these issues and is revising its performance management process. It has set out its proposals in its Performance Improvement Framework, which was being approved by the council at the time of the audit. The council has now set out its SOA priorities more clearly in its *Council Priorities* statement, and it is introducing clearer reporting including reporting shared outcomes to the Community Planning Partnership. The council is also working with the Improvement Service with a view to adopting the national Public Service Improvement Framework.

131. Self-evaluation involves councils critically appraising their performance and progress against objectives. The council has proposals for self-evaluation in place as part of its Performance Improvement Framework, but these are not yet operational. It previously produced an informative *How Good Is Our Council* report covering service performance and progress against initiatives. The council will need to ensure that its proposals for self-evaluation provide a clear picture of performance across its activities.

132. The council has identified the need to improve its public performance reporting. It produces a range of informative and readable newsletters and publications to inform the public of its activities. These highlight council initiatives, but do not give the public a sense of how well council services are performing, or the extent to which targets and local priorities are being met. The council includes performance information on its website through 'Borders Performs'. This provides links to external audit and inspection reports, and to SPIs, but it does not give the public a clear picture of how the council is performing against its objectives.

Appendix 1.

Judgement descriptions

This table sets out the framework for constructing the two new BV2 judgements of 1. Pace and direction of change, and 2. Prospect for future improvement. It shows the components that make up each judgement (eg, improving outcomes or the quality of local services), along with standard descriptions for the level of performance. Councils are likely to demonstrate a mixture of performance levels across these components. The BV2 judgement is arrived at by determining an overall summary of a council's performance against these different aspects of performance.

Judgement descriptions – pace and direction of change

Pace and direction of change	Not improving adequately	Needs to improve more quickly	Improving well	Improving strongly
Improving outcomes and addressing complex cross-cutting issues with partners	The council has a poor track record in delivering improved outcomes for the area with its partners, and addressing key cross-cutting issues such as community safety, health improvement, equalities and sustainability.	Progress towards key strategic outcomes is mixed, with improved progress required in a number of important outcome areas. Systematic evidence of the impact of partnership working is not available.	Consistent progress is being made towards the majority of key strategic outcomes. However, some improvements are still required in a number of outcome areas and there is scope to further align partnership working with key strategic priorities.	The council is able to consistently demonstrate considerable success in delivering complex cross-cutting strategic local issues and improving outcomes with partners. Consistent progress is being made towards almost all key strategic outcomes. Limited improvements are required.
The quality of local service	The overall quality of council services is consistently below the national average. Many services, including one or more key services (education, social work or housing) require significant or urgent improvement.	Overall service performance is mixed. While some services are performing well, several services, or significant aspects of services, require important improvements to be achieved.	Many council services are performing consistently well and demonstrating continuous improvement. While some further improvements are required, all key services are performing well.	Most of the council services are recognised as performing at the highest level. All key services can demonstrate strong and consistent improvement.
The views of citizens and service users	Overall satisfaction with the council and its services is consistently below the national average. Overall satisfaction trends are static or falling. Arrangements for consulting with local people and users of services are patchy and underdeveloped and the council cannot demonstrate that consultation is influencing decision-making and service improvement.	Overall satisfaction with the council and its services is mixed, with a significant number of services, or important aspects of services, below the national average. Overall satisfaction trends are improving slowly. The council has introduced arrangements for consulting with local people and users of services but these are not applied consistently throughout the organisation. While there are some examples of this 'making a difference' within departments, systematic evidence of impact is not yet available.	Overall satisfaction with the council and its services is generally above the national average, with overall satisfaction trends that are improving well. Arrangements for consulting with local people and users of services are well developed. There is good evidence that consultation and engagement is taken seriously across the organisation, with good systematic evidence available on its impact.	Overall satisfaction with the council and its services is consistently above the national average for most aspects of performance, with overall satisfaction trends that are improving quickly. The council has comprehensive and well-coordinated arrangements for consulting with local people and users of services and is able to demonstrate that their views are influencing strategic priorities and shaping service improvements.
The council's progress in delivering on its improvement agenda (including Value for Money (VFM))	There is limited evidence that the council knows where improvements are required and is able to secure improvement in service performance. It cannot demonstrate improvement in VFM.	While some services are improving, the pace of change has been slow and the council has been unable to systematically transfer service improvements from one service to another and secure systematic improvements in VFM.	The council knows where improvements are required and can demonstrate a systematic and effective approach to securing improvements across all services (including VFM). Improvements are implemented quickly, and with little slippage.	The council is able to demonstrate that it is effectively managing performance improvements in line with its strategic priorities, across services, and in partnership with others, and it can demonstrate systematic and significant improvement in VFM.

Judgement descriptions – prospect for future improvement

Prospect for future improvement	Poor prospects of future improvement	Fair prospects of future improvement	Well placed to deliver future improvement	Strongly placed to deliver future improvement
Leadership capacity and organisational commitment to change	The council does not have the leadership and management arrangements needed to deliver on its ambitions. Governance is weak and developing its political and managerial ability to tackle the council's problems is a key priority for the council.	The council needs to improve its leadership and managerial impact to deliver on its ambitions. There are some weaknesses in the governance arrangements and it is unable to demonstrate that it currently has the organisational commitment and capacity to secure change and improved outcomes.	The council has effective political and managerial leadership supported by good governance arrangements. It is committed to continuous improvement, focused on what matters to local people, and is securing improved outcomes.	The council has highly effective political and managerial leadership supported by strong and effective governance arrangements. It has ambitious plans for the area and a strong focus on continuous improvement. It has the organisational commitment and capacity to secure change and improved outcomes.
Partnership working	The council has not yet established a shared vision for the area with its partners, supported by sound governance arrangements and the resources needed to deliver key priorities.	While the council has established a shared vision for the area with its partners, there is not a consistent sense of ownership from the partnership's leaders, and improvements are needed in governance and resource alignment.	Leaders of the partnership articulate a clear and consistent shared vision and sense of purpose for the partnership and the improvements it is trying to achieve for the area, and effective governance and resource alignment arrangements are in place.	Leaders of the partnership actively promote and communicate the shared vision and sense of purpose of the partnership and the improvements it is trying to achieve for the area. They can demonstrate – and are committed to ensuring – that the shared vision for the area impacts on their own organisation and partnership activity.
Staff understanding of and commitment to improvement	There is very limited staff understanding of and commitment to continuous improvement and the council's improvement agenda.	Staff understanding of and commitment to continuous improvement and the council's improvement agenda is underdeveloped.	There is widespread staff understanding of and commitment to continuous improvement and the council's improvement agenda.	There is very strong staff understanding of and commitment to continuous improvement and the council's improvement agenda.
Effectiveness of resource planning and performance management (including member scrutiny)	The council lacks awareness of where it needs to make improvements and is not able to secure improvement in service performance as a consequence of ineffective performance management arrangements and weak scrutiny and challenge. Resources are not used to best effect.	While the council is aware of where it needs to make improvements, it lacks a systematic approach to securing improvement. Scrutiny and challenge is patchy. The council lacks a systematic process for directing resources to key priority areas and securing improved VFM.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is well developed. It has a systematic process for directing resources to key priority areas and securing improved VFM, but cannot yet demonstrate consistently improved outcomes.	The council is aware of where it needs to make improvements, and has a systematic approach to securing improvement. Scrutiny and challenge is highly effective. The council has a systematic process for directing resources to key priority areas and can demonstrate consistently improved outcomes.

Scottish Borders Council

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